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The Overseas Chinese and Peking	417	Taiwan	Indonesia
Prospects for Trade with China (Part II)	425	Taiwan's "Land to the Tiller" Program	Djakarta, the Capital of Indo- nesia
China		Japan	Hongkong
Reports from China	428	Japanese Cultured Pearls	Notes
Targets for China's First Five- Year Plan	430	Philippines	Finance & Commerce
		Economic Reports	HK Exchange; HK Shares; Singapore Shares; Trade Re- ports
		Philippine Foreign Trade	441
			446

THE OVERSEAS CHINESE AND PEKING

By Harold C. Hinton

Ever since seizing power in 1949 the Chinese Communists have been trying by propaganda, pressure, and force to gain the support of overseas Chinese in South and Southeast Asia and to use them for their own political purposes. Peking has been making a special effort to induce overseas Chinese to increase their remittances to and investments in China; a new industrial corporation has been created in which overseas Chinese are urged to invest, and investors have been promised that their funds will be immune from socialization—a promise of preferential treatment which Peking has made to no other group. In April 1955 strong diplomatic pressure exerted by India and Indonesia compelled China to sign with the latter a pact providing that persons who "hold simultaneously the nationality of the People's Republic of China and the nationality of the Republic of Indonesia" must choose to be citizens of one or the other. The language and scope of the treaty are so vague that future differences of interpretation seem likely. Furthermore, highly placed Chinese Communist officials have recently made statements indicating that the first loyalty of overseas Chinese must always be to China.

There is convincing evidence that Chinese Communist prestige stood very high among the overseas Chinese in 1950; declined considerably after that as a result of mass atrocities in China, threats to relatives of overseas Chinese to extort money and the like; but has recently risen somewhat due to Chinese Communist diplomatic successes and the absence at the present time of conspicuous mass terror on the China mainland.

For more than half a century the overseas Chinese communities, which total today eleven million persons (Taiwan excluded), have been an important source of funds in the form of remittances to relatives in China, and of material and moral support for the various revolutionary movements which have attempted to unite and modernize the mother country.

Recognizing this fact, the National Government of China (Kuomintang) during its period of control (1928-1949) claimed the allegiance and citizenship of overseas Chinese residents, and maintained within its Executive Yuan (cabinet) an Overseas Chinese Affairs Commission to look after their affairs. It also allotted a handful of seats to overseas Chinese representatives in the People's Political Council, a body representing various Chinese parties and groups which existed from 1938 to about 1941. The National Government, however, did not exert any profound or continuous influence on the overseas Chinese, or afford them effective protection against oppression or discrimination in their countries of residence.

Much more active and aggressive policies have been pursued toward the overseas Chinese by Communist China since 1949.

1. Constitutional Provisions Regarding Overseas Chinese

Until the autumn of 1954, the nearest thing to a formal constitution which China possessed was the so-called Common Program adopted on Septem-

ber 29, 1949, by the Chinese People's Political Consultative Conference, in which there were some 16 overseas Chinese Delegates. Aside from referring to the overseas Chinese as being among the groups represented at this conference, this document mentions them only in Article 58, which provides that "The Central People's Government of the People's Republic of China shall do its utmost to protect the legitimate rights and interests of Chinese residing abroad." The Common Program implies, without actually saying, that overseas Chinese are considered as retaining Chinese citizenship.

In September 1954 the National People's Congress, which contains 30 overseas Chinese delegates, adopted with very minor changes a draft constitution prepared by a special committee headed by Mao Tse-tung; this constitution, like the Common Program, is brief and vague on the status of the overseas Chinese. Article 23 grants them delegates in the National People's Congress (the number of these delegates was fixed separately by the Electoral Law at thirty). Article 49 includes among the functions of the State Council (cabinet) the direction of "work concerning the Chinese residents abroad." Article 98, echoing the Common Program, provides that "The People's Republic of China protects the proper rights and interests of Chinese resident abroad."

The apportionment among the various countries of the 30 seats allotted to overseas Chinese in the National People's Congress was effected at an Enlarged Conference on Overseas Chinese Affairs held in Peking on November 1-5, 1953, under the auspices of the Commission on Overseas Chinese Affairs of the State Council. The distribution is as follows: Malaya 5, Thailand 4, Indonesia 4, Indochina 2, Burma 1, North Borneo and Sarawak 1, Philippines 1, Korea and Outer Mongolia 1, Japan 1, India and Pakistan 1, Europe 1, the Americas 2, Africa 1, Oceania 1, Reserved 4. Some at least of these delegates were "elected" in a manner reminiscent of the methods employed by Hitler's Volksdeutsche, on ships anchored just outside the territorial waters of the country in question.

2. Administration of Overseas Chinese Affairs

Among the departments of the Government Administration Council (or cabinet) now known as the State Council is the Commission on Overseas Chinese Affairs. It is one of only three such Ministries and Commissions not grouped under one or another of three Committees (Political and Legal Affairs, Financial and Economic Affairs, Cultural and Educational Affairs) under chairmen holding the rank of Vice Premier. Presumably the Commission comes directly under the supervision of the Premier.

The Chairman of the Commission on Overseas Chinese Affairs since its establishment has been Ho Hsiang-ning, the seventy-seven year old widow of Liao Chung-k'ai, a trusted lieutenant of Sun Yat-sen and an important Kuomintang leader until his

assassination in 1925. One of the Vice Chairmen is her son Liao Ch'eng-chih, an able lifetime revolutionary who has studied in Japan and travelled in Europe and the Soviet Union. Among the three other Vice Chairmen is Li Jen-jen, a left-wing educator from Kwangsi who is not known to have travelled farther from China than Hongkong. A number of the Commission's members are overseas Chinese living abroad.

The year 1954, which witnessed important developments in Chinese Communist policy toward the overseas Chinese, was also a period of administrative changes and expansion. On July 1 an Overseas Chinese Affairs Bureau was established within the Canton Municipal People's Government; the provincial governments of Kwangtung, and of Fukien, already had established a Commission on Overseas Chinese Affairs. A month earlier the China News Service had announced the setting up of local bureaus in Kwangtung province for the same purpose.

Alongside these governmental organs there exist, apparently for educational purposes primarily, a number of semi-official committees. In July 1954, for example, it was reported that the Peking Committee for Enrolling Returned Overseas Chinese Students in Secondary Schools had been abolished and merged in its opposite number at Canton.

The Chinese Communist authorities are anxious to preserve the separate identity of the returned overseas Chinese, give them special treatment, and prevent them from disappearing into the mass of their fellow citizens.

3. Treatment of Returned Overseas Chinese

According to Chinese Communist sources, 180,000 overseas Chinese returned to the mainland of China during the first five years (September 1949-August 1954) of the Central People's Government. Of these some 72,000 are said to have found work for themselves in their places of origin or elsewhere; roughly 60,000 to have been resettled and employed through the offices of the Commission on Overseas Chinese Affairs; and 45,000 to have been students returning for schooling on the mainland. Aside from the students, the returned overseas Chinese have been incorporated into the tightly regimented political life of China without losing their identity as overseas Chinese. In the summer of 1954, when the draft constitution was undergoing public discussion which brought no significant changes whatsoever in its provisions, the Commission on Overseas Chinese Affairs of Kwangtung Provincial People's Government convened a conference of about 40 returned Overseas Chinese from various foreign countries to take part in the discussions.

The economic lot of the returned overseas Chinese has not been entirely happy. Land reform affected not only the ordinary agrarian population but returned overseas Chinese and overseas Chinese

with land holdings on the mainland. Officially it is asserted that the output and general prosperity of the returned overseas Chinese have increased in recent years, and that they are now able to afford goods of Chinese manufacture, such as agricultural implements, which they previously could not afford or else had to have imported from abroad. There is of course no way of checking these statements independently, but it is known that returned overseas Chinese peasants, like others in China, are being organized by Communist cadres into mutual aid teams and agricultural cooperatives, the forerunners of collective farms, and that like all Chinese they are required to sell all "surplus" grain to the state at fixed prices. There is convincing evidence that collectivization generally leads to serious discontent, and often to a decline in agricultural output, and there is no reason to think that returned Chinese peasants are any happier at the prospect of collectivization than their colleagues in China and elsewhere in the Soviet bloc. Like their fellows in the countryside, returned overseas Chinese artisans are being organized into production cooperatives.

In view of the hostile attitude of the Central People's Government toward private business and the accumulation of private wealth, the returned overseas Chinese appear to have virtually no chance of prospering at home as some of them were able to do abroad. A recent and highly suggestive broadcast states that most returned overseas Chinese in the Toishan area have been depositing their "surplus" funds in officially controlled credit cooperatives, instead of spending them on "odds and ends" as they had done before. Since "odds and ends," or in other words, consumer goods, are decidedly scarce in China, this is an understandable trend, and it has the advantage from the viewpoint of the regime that the deposit of funds in credit cooperatives or government banks renders them more vulnerable to the virtual forced loans which go under the name of national construction bonds.

One rather puzzling development is the plan, formulated by the Canton Municipal People's Congress in 1954, for building in Canton a village to house some 300 returned overseas Chinese families. The municipal government allotted the necessary land, and construction, which was scheduled to begin in the summer of 1955, was to be performed either by the families themselves or by state or private building contractors employed by them. It is easy to believe that these families needed new housing, but it is more difficult to imagine the purpose of concentrating them in a single village. The most probable explanation is that, Canton being the show window of South China, the village was intended to be a demonstration center to convince overseas Chinese and foreign visitors that returned overseas Chinese are being well treated. The announcement that Chinese living in Hongkong and Macao are to be allowed to invest in property in the village makes it likely that the whole project was also intended to stimulate investment by Overseas Chinese on the

mainland, something which the Central People's Government is very anxious to encourage.

The general impression that returned overseas Chinese tend to be treated as a distinct unit is strengthened by a study of the educational provision made for their children. In some cases, as in Canton, where a special middle school for such students was established in 1954 by the Canton Overseas Chinese Association, they are sent to separate schools. A careful record is kept of their status and progress. Sons and daughters of returned overseas Chinese made up one-fifth of the student body of 1,800 at Amoy University.

A more interesting and probably more important problem is that of the overseas Chinese who returned to the mainland, not necessarily to live there permanently, but specifically in order to carry on their studies. As we have seen, the Central People's Government sets the number of these students who came to China during the first five years of its existence at 45,000. They have come from nearly every region in South and Southeast Asia where Chinese communities live, including Hongkong and Macao. At Canton, through which the students pass, they take an examination to determine their ability and level of achievement. Until May 1954 these examinations were standard, which meant for example that a student specializing in liberal arts would also be required to answer questions of a technical and scientific nature. This apparently proved unpopular, and at that time two categories of examination were instituted, one for science students and one for others. "Political" knowledge is imparted to them after they reach China. The entrance examinations administered in Canton are not severe; out of 1,700 overseas Chinese students reported to have taken the examination in August 1954 for admission to Chinese middle schools, 1,200 passed. The successful applicants are sent on to colleges and middle schools in the various cities of China; the dunces must take special make-up courses before being admitted to these institutions.

4. Overseas Chinese Remittances and Investments

Ever since the second half of the 19th century, when China came to be provided with international banking facilities as the result of the establishment of foreign-owned banks in Hongkong and the treaty ports, remittances and investments by overseas Chinese have played an important part in China's international balance of payments. During the years before the outbreak of war with Japan in 1937, the annual volume of these remittances approximated US\$100 million. Foreign and civil war greatly reduced the flow of remittances. After 1950 overseas remittances began to increase again, but not fast enough to suit the Communist authorities. Overseas Chinese soon began to receive letters from relatives in China begging for money with which to avert confiscation of their property, imprisonment, or death. It is impossible to say how much money this shocking piece of blackmail brought in, but it is estimated to have cost Chinese in the United States alone about US\$10 million.

The Chinese Communists also made use of less disreputable methods of securing funds from abroad. In August 1950, for example, they established the Hsingyeh Investment Company, with a capital of 20,000,000,000 yuan (about US\$1 million), 70 per cent of which was expected to come from private sources. Overseas Chinese were urged to invest in this company, which concerned itself mainly with expansion of rubber output on Hainan.

These efforts to encourage overseas remittances seem to have been fairly successful; in 1953, for example, Chinese communities in the Federation of Malaya have sent about US\$4 million back to the mainland. No state engaged in a process of rapid industrialization, however, ever has too much capital, and since the latter part of 1954 the Chinese Communists launched a determined campaign to increase the flow of funds from abroad.

In mid-December 1954 Jao Chang-feng, Chairman of the Commission on Overseas Chinese Affairs of the Kwangtung Provincial People's Government and Deputy Director of the United Front Department of the South China Bureau of the Chinese Communist Party, announced that "with the exception of those who have not redeemed their blood debts in their home villages, those whose charges are especially serious, and those who have incurred the wrath of the people, all the Overseas Chinese landlords will have their status changed ahead of schedule." This referred to the five-year probationary period specified by the Agrarian Reform Law of 1950 and its accompanying ordinances before landlords could lose their "class status" and regain their civil rights. Jao also promised that ownership and use of overseas remittances would remain with their designated recipients, a statement from which it can be inferred that such had not been the case earlier. His speech, however, was very vague as to how these pledges would be implemented.

The impression that the Chinese Communists were granting, or at least promising, preferential treatment to overseas Chinese who might be generous with their remittances and investments was strengthened by an announcement in January 1955 that the change of status for landlords in the Canton area had already begun; the status of 183 overseas Chinese living in Hongkong, including several wealthy merchants and one dead man, had been changed, apparently without their prior knowledge. Clearly this step was intended to encourage these individuals to repatriate their funds, and perhaps themselves.

What, then, are the types of enterprise in which Peking hopes for overseas Chinese investment? Vice Premier Teng Tzu-hui provided a clue in his speech to the National People's Congress in September 1954: "It is hoped that the returned overseas Chinese and the private industrialists and merchants in the country will invest their money in hills and forests to help the country develop the economy of these mountainous areas. The State will give the investors ample time and legitimate operation rights to enable them to turn their operations into profitable ventures."

Two months later a Hongkong Communist daily elaborated on the same theme: "In the past five years, the Motherland has done a great deal to protect the overseas Chinese, facilitate overseas Chinese remittances, re-settle returned overseas Chinese, attend to the needs of dependents of overseas Chinese, and educate overseas Chinese students. Moreover, the People's Government is going to enforce measures which allow overseas Chinese to invest their capital in the Motherland for the purpose of development of forests, uncultivated land, and agriculture, construction of houses, and founding of cultural and educational enterprises. Thus many problems which are of great interest to overseas Chinese will be better solved."

It is obvious that these activities, and especially the development of waste and mountainous land, are of a type which will yield only a low rate of profit, and which in any case might better be undertaken by the state than by private capital.

Perhaps because of this, improved facilities for overseas Chinese investment in industry were announced in February 1955. At that time the Overseas Chinese Investment Corporation, a joint public-private enterprise, was created with an initial capital of one trillion yuan (a little less than US\$50 million at the official rate of exchange). This new corporation absorbed three former enterprises in which overseas Chinese investment had been encouraged (the Overseas Chinese Industrial Construction Company, the South China Enterprise Company, and the Canton Investment Company). The funds of the Overseas Chinese Investment Corporation were to be invested in industry and foreign trade. Each share was to be worth one million yuan, and investors were guaranteed an 8 per cent return on their capital, plus bonuses in the event of surplus profits. It was further promised that any funds so invested would remain the property of the investors even after the introduction of full-fledged socialism in China; in other words, overseas Chinese were apparently being assured that they would retain the right to private property even after mainland Chinese had lost it. Overseas investors were to be considered as having the class status they held in their country of residence, not that which would be assigned them if they were living in China. Remittances and investments were to be made mainly through Chinese government banks and their overseas branches.

Shortly afterwards, an official statement implied that, even though overseas investments would remain private property after the introduction of socialism, the same would not hold true of overseas remittances. For the time being, however, overseas Chinese were assured that the private character of their remittances would be protected. Although hoarding and speculation would not be tolerated, overseas Chinese would not be compelled to invest their funds in government enterprises (in the sense of industrial and commercial concerns), but would also be allowed to invest in schools, hospitals, and the like. Since most schools and hospitals in China are government-owned and government-controlled, this seems to be a distinction without a difference.

There appears to be no field for investment in mainland China open to overseas Chinese investors in which the government does not have a controlling interest. Chinese propaganda, for example, made a good deal in 1954 of the building of a new nine-storey hotel in Peking for the use of visiting overseas Chinese. Although apparently built largely with funds invested by overseas Chinese, it was to be a joint public-private enterprise.

5. Political Manipulation of Overseas Chinese

According to Chinese Communist propaganda, "the annals of the struggles of the overseas Chinese may be considered to be written in blood." To the extent that this has been true during the last five years, the blame lies largely with Peking.

In November 1949 the Chinese Communist Party's chief theoretician, Liu Shao-chi, told a Congress of Asiatic and Australian Labor Federations in Peking that "The path taken by the Chinese people in defeating imperialism and its lackeys and in founding the People's Republic of China is the path which should be taken by the people of many colonial and dependent countries in their struggle for national independence and the people's democracy." In other words, the "colonial and dependent" countries of Asia

must follow the example, and by implication also the leadership, of China. This view was endorsed by the Cominform.

A constant stream of propaganda is directed at the overseas Chinese from Peking, urging them to oppose the Kuomintang and support the "liberation" of Taiwan and denouncing the governments of some of the countries in which they live. Overt liaison between Peking and the overseas Chinese communities has been provided by such individuals as Tan Kah-kee (in the case of Southeast Asia), and Seto Meetong, who died in Peking of a cerebral hemorrhage on May 8, 1955, for Chinese living in the United States.

It is when we turn to the countries where the overseas Chinese live that the results of Communist policy become apparent. In the Philippines, where it is difficult for Chinese to acquire citizenship, the presence of a Chinese Nationalist embassy and the anti-Communist sympathies of most of the Chinese population have not prevented the emergence of a strong Communist underground organization. Late in 1952 Philippine police arrested 170 members of this organization, which they described as engaged in controlling and advising the Hukbalahap and in extracting money from Chinese residents. Among those arrested were Chin Sang (alias Chi Sen), who was apparently the secretary general to the Philippine branch of the Chinese Communist Party; Yu Lan-chiao, chairman of the same branch's finance commission; and Andres Chua, chairman of the South Luzon bureau of the Party. It is also interesting to note that Jose Lava, the imprisoned Chairman of the Philippine Communist Party's Organization Bureau, told two American reporters early in 1955 that if American forces remained in the Philippines, the armies of Mao Tse-tung would come to "liberate" the islands; if the American troops left, he added, the Philippines could be "liberated" without Chinese help.

The situation in Indonesia is somewhat complicated by the fact that the majority of the Chinese community favored the Dutch in their struggle with the Indonesians, with only the Moslem minority among the Chinese siding with the Indonesians. Some of the Chinese held Dutch citizenship, and the Chinese community in Jakarta organized a Chinese battalion to fight on the Dutch side during the hostilities of 1947-48. The result was an increase in the dislike with which most Indonesians already regarded the Chinese. When a Chinese Communist embassy staff reached Jakarta in 1950, it began to strengthen the underground Chinese Communist organization in the islands, pack the Chinese schools with left-wing teachers and textbooks, and in general to manipulate the Chinese community rather than to protect it. Early in 1953 illegal Chinese Communist immigrants to Eastern Sumatra, where conditions were already seriously disturbed, began to agitate and make trouble among the local Chinese residents and Indonesian peasants. Twenty families of these illegal immigrants were deported by the authorities.

Malaya provides the most flagrant example of exploitation of an overseas Chinese community for the benefit of the Chinese Communist Party. Here, in addition to their usual tactics of propaganda, infiltration of schools, pressure on Chinese businessmen for remittances, strikes, and assassinations, the Chinese Communists have resorted to guerrilla warfare on a large scale. Beginning in the summer of 1948, when it had become clear that the Communists were failing in their efforts to gain control of the trade unions, a Chinese Communist force of a few thousand men, with support and supplies from a group of Chinese civilians several times as large, launched a campaign from their jungle bases which tied down a much larger force of British troops and Malayan police. From the military point of view the result was a stalemate: the Communists have not been able to seize power or to damage the economy of the country, but the authorities

have been unable to bring them under control. Beginning in October 1951, the Malayan Communist Party (as the Chinese Communists in Malaya call themselves) partially abandoned the struggle, withdrew their forces deeper into the jungle, and concentrated on "united front" tactics, or in other words infiltration of political organizations, trade unions, etc. Fighting continues, but not on a small scale.

A striking recent example of Chinese Communist manipulation of overseas Chinese is the case of Nanyang (South-east Asia) University. This episode has been fully described by the university's former Chancellor, the well known Chinese scholar and writer Lin Yutang. The essentials of Lin's account are confirmed by at least two other writers: Doak Barnett, an American journalist and writer who has lived in China and Hongkong for about twenty years; and another American journalist, Robert S. Elegant, who is the author of a book of biographies of Chinese Communist leaders. There follows a summary of Lin's account.

Many Chinese in Singapore have long objected to the fact that young Chinese who go back to the mainland to study undergo intensive indoctrination in Communism while they are in China, and seldom return to Singapore. From this sprang the idea of a non-Communist Chinese university in Singapore, where young Chinese could study in an atmosphere of academic and political freedom. Nanyang University was formally incorporated in May 1953 under the control of an Executive Council dominated by Tan Lark-sye, a rubber millionaire of rather indeterminate, but apparently mainly opportunistic, political views. In January 1954 the Council invited Lin, who was then in New York, to become Chancellor of the University. He agreed, but only after insisting that he be given full administrative control. The Council accepted this condition, but trouble began almost immediately after Lin took office in the spring of 1954, apparently as the result of a letter to the Council from Tan Kah-kee in Peking directing that Lin must be forced out. A campaign against Lin began in the local Chinese Communist press. Late in 1954 Lee Kong-chian, another rubber millionaire and son-in-law of Tan Kah-kee, who had previously shown no interest in the University, forced his way onto the Executive Council and took charge of the campaign for Lin's expulsion. His budget was rejected by the Council, promised donations were not forthcoming, and his position became completely untenable even though he yielded to the Council's objections as much as he felt possible. Finally, in the spring of 1955, he resigned, and with him all eleven of the faculty who had so far arrived; they were given \$100,000 in severance pay by Tan Lark-sye. He and the other Chinese business men originally involved in the foundation of the University refused to comment on Lin's parting statement that he had been forced out by Communist pressure; the Singapore police, however, confirmed Lin's charge that Chinese Communists were intimidating the local Chinese student population.

Lin also states that the Chinese Communists now encourage pro-Communist overseas Chinese students not to return to the mainland, but rather to stay where they are and infiltrate the local school systems. This policy, he says, helped to bring about the rejection by the Chinese school system in Singapore of a subsidy offered by the government in the spring of 1954.

In Thailand a nationalistic government has enforced for the last twenty years a program aimed at assuring Thai control of the country's economy. It recognizes the Chinese Nationalists and is quick to deport Chinese whom it considers undesirable. This program, which the Chinese Communists have tried to exploit for propaganda purposes, has been effective in keeping overt Communist activity at a fairly low level.

In Burma, which recognizes Communist China, powerful financial pressures have been brought to bear on the Chinese community. Of the three Chinese banks in Rangoon, these two banks, which are Communist-controlled.

nected with the Chinese Communist embassy, grant credit to members of the Chinese community, only a small minority of whom are pro-Communist. The conditions for such a loan are that there must be two pro-Communist co-signers; the borrower must agree to send his children to one of the Communist-controlled local schools; he must fly the Chinese Communist flag on Chinese Communist holidays; and he must agree not to employ any known anti-Communists. The Chinese Accountants Union is Communist-controlled, so that the local Chinese Communist leadership knows a great deal about the Chinese community's financial affairs. Pro-Communists, in the autumn of 1954, already controlled three of Rangoon's five Chinese language dailies and were buying a fourth; Chinese Communist embassy funds were involved in all four cases. Burmese accuse Chinese Communists in Burma of aiding and training Burmese Communist insurgents, to whom the Peking press is referring as "liberation forces."

Chinese Communist activities in India are concentrated mainly in Calcutta, where 12,000 of the 15,000 Chinese in the country live. The Communists, whose government is recognized by India, propagandize through the local press, lend money to Chinese business men under somewhat the same conditions as in Burma, and have set up a school in the Chinese consulate in Calcutta, where free classes are given and excellent meals served.

Even this fragmentary information makes it obvious that the Chinese Communists are doing their best to manipulate the overseas Chinese for their own purposes. This is officially denied in Peking, which wants the world to believe that relations between it and the overseas Chinese communities are restricted to the frequent semi-official good will missions which travel from the areas of Chinese settlement in South and Southeast Asia to the mainland of China.

The official Chinese Communist attitude toward the problem of Communist activity among the overseas Chinese was set forth by the "People's Daily" in reply to a suggestion by Prime Minister Kotelawala, made at the Bandung Conference in April 1955, that China call on her overseas Communist parties to disband. This, said the "People's Daily" piously, would be interference in the internal affairs of other countries.

6. Citizenship of Overseas Chinese

The Central People's Government claims to protect the interests of overseas Chinese; this claim has been interpreted to mean that Peking, like the Chinese Nationalists when they were in power, claims that overseas Chinese, regardless of their place of birth, retain Chinese citizenship. Since a sizeable fraction of the overseas Chinese have also been offered, and have acquired, the citizenship of the countries in which they live, a knotty problem of dual citizenship has arisen to plague the relations between Peking and the governments of South and Southeast Asia.

As in other matters connected with the overseas Chinese, the past several months have witnessed important changes in the Central People's Government's stand on dual citizenship. On December 27, 1951, the overseas Chinese in Indonesia were asked by the Indonesian government to declare their choice of citizenship. According to the Indonesian authorities, about 75 per cent of them opted for Indonesian citizenship, the remainder being split between Peking and Taipei. The Indonesian government was understandably upset, therefore, when the Chinese Communists announced late in 1953 that overseas Chinese would be represented by thirty delegates at the forthcoming National People's Congress, four of them from Indonesia. Foreign Minister Sunario was flatly opposed to dual citizenship for

Chinese in Indonesia, and at his direction Ambassador Mono-nutu opened negotiations on the subject shortly after his arrival in Peking in October 1953. Jakarta was anxious for a settlement of the problem before June 1954, when registration for general elections was scheduled to begin. In July, however, no solution being in sight, Minister of Justice Gondokusumo announced that fresh discussions would begin in August, and that Peking had agreed in advance that Chinese in Indonesia were entitled to Indonesian citizenship if they wanted it. By the end of August, however, the talks had still not begun, and it became evident that Peking had not made a firm commitment to give up her claim on Indonesian Chinese.

By this time pressure had begun to be exerted on Peking from a more powerful government than that of Indonesia, the Indian. When Chou En-lai visited New Delhi in June 1954 he promised, at the request of Premier Nehru, that he would soon resolve the problem of the citizenship of overseas Chinese. It may have occurred to Chou that it would be unwise to drive the Southeast Asian governments to mass deportations of Chinese; their remittances and investments are too valuable to China, and their return en masse would put a severe strain on her economy.

September 1954, the month when the National People's Congress convened for the first time in Peking, witnessed some striking and contradictory statements on overseas Chinese citizenship by prominent Chinese Communist officials. It can be concluded from these statements either that there was uncertainty and disagreement in Peking on the question at that time, or, more probably, that Peking was saying one thing to the overseas Chinese and another for the benefit of the governments of the countries in which they live.

Early in the month Hu Yu-chih, a prominent returned overseas Chinese journalist and propagandist, gave it as his opinion that, unless the overseas Chinese were granted citizenship in their countries of residence—which he seemed to consider unlikely—they "should have complete freedom to take part in the political affairs of their own fatherland. When the Congress with its thirty overseas Chinese delegates met, Premier Chou En-lai said that other countries must not oppress or discriminate against the overseas Chinese, that the latter should respect the laws of the countries in which they live, and that the problem of their citizenship would be settled by negotiation. It should be noted that he did not promise to abandon the principle of dual citizenship, but he had at least committed himself to negotiate the question. Ho Hsiang-ning, addressing the Congress in her capacity of Chairman of the Commission on Overseas Chinese Affairs, was much more explicit. The Kuomintang, she said, must be destroyed; the overseas Chinese wish to live in peace and amity in their host countries, and the Chinese Communist authorities have always shown a paternal interest in their welfare. The first love of all Chinese, she added, is for the fatherland. "Nobody can sever the bond which links the Chinese residents abroad to the fatherland. This applies to the past as well as to the future."

On September 29 Premier Nehru told Parliament that he found the presence of "vast" Chinese groups in other countries "rather frightening." He intimated that the Central People's Government had been dragging its feet, but concluded that Chou's statement to the National People's Congress led him to hope that a solution would soon be found. Premier Sastroamidjojo of Indonesia, for his part, declared with perfect justification that the next move should come from Peking.

Shortly before Chou's announcement, "The Times of India" had interpreted the Chinese Communist attitude as a willingness to promise not to use the overseas Chinese for political purpose, combined with a desire to retain their

allegiance. "The Hindustan Times" demanded some satisfactory definition of the citizenship of the overseas Chinese. When Nehru went to Peking in October 1954, he expressed to Chou En-lai his view that Peking should stop exploiting the overseas Chinese for political purposes and aiding Communist movements outside China, and recognize the right of overseas Chinese to give up Chinese citizenship. Any overseas Chinese who prefer Chinese citizenship, he added, should be barred from political activity in their country of residence. He had some success in gaining acceptance for his views, and after his return to India he announced that the Central People's Government had given him and Premier Nu of Burma informal pledges not to interfere in the affairs of neighboring states and to accept his views on the question of overseas Chinese citizenship. Chou En-lai, for his part, now began to take the line that he had always believed that overseas Chinese must choose between their two citizenships.

In October 1954 negotiations were scheduled in Peking on the citizenship question between Mr. Mononutu, supported by a special delegation from Indonesia, and Vice Foreign Minister Chang Han-fu. Indonesia, for her part, did her best to be conciliatory by expelling a few prominent pro-Nationalist Chinese. On the other hand, the Indonesian government made it clear that it meant business by submitting to Parliament in November a bill declaring that "a citizen of Indonesia who is staying within the territory of Indonesia is considered as not possessing another citizenship." Thus spurred on, the negotiations, which lasted from November 2 to December 23, made some headway and apparently resulted in a preliminary agreement satisfactory to the Indonesian government. Negotiation of a final agreement was postponed until the time of the Bandung Conference scheduled for April 1955, when it would have a maximum prestige value from the standpoint of both parties.

Although the question of the overseas Chinese was seldom mentioned publicly at the conference, it bulked very large indeed in the minds of many of the delegates. In his speech to the conference, as distinct from his written statement, Chou En-lai delivered himself of the following masterpiece of misrepresentation:

"We are against outside interference. How could we want to interfere in the internal affairs of others? Some people say: There are more than ten million Overseas Chinese whose dual nationality might be taken advantage of to carry out subversive activities. But the problem of dual nationality is something left behind by Old China. Up to date, Chiang Kai-shek is still using some very few Overseas Chinese to carry out subversive activities against the countries where they are residing. The People's Government of New China, however, is ready to solve the problem of dual nationality of Overseas Chinese with the Government of the countries concerned."

The final communique issued by the conference dealt mainly in generalities and said nothing about the overseas Chinese. On April 22, however, as the conference was coming to an end, Chou and Foreign Minister Sunario signed a treaty dealing with the question of dual citizenship. The treaty provides that all adult persons in Indonesia, including married women, who "hold simultaneously the nationality of the People's Republic of China and the nationality of the Republic of Indonesia" shall choose within two years which of the two countries is to be the object of their allegiance. The other country will thereupon give up all claim to their citizenship. Article 5 provides that, in the case of persons who fail to declare their choice, the citizenship shall correspond to the racial origin of the father, or to that of the mother in the event that the father's origin cannot be determined. Children hold the nationality of the father during their minority, but on reaching the age of 18 they are required to choose their citizenship; if they fail to choose,

their citizenship remains the same as during their minority. Any persons who, having chosen Indonesian over Chinese citizenship, returns to live permanently on the mainland of China, loses his Indonesian citizenship. Children born in Indonesia of marriages between Chinese and Indonesian citizens take the nationality of the father. Adopted children take the nationality of the foster parent. Citizenship is unaffected by marriage, though it can of course be changed by voluntary naturalization. Each party agrees to encourage its nationals living in the other country to respect the laws of the host country. The treaty makes no provision for Chinese in Indonesia who claim Dutch or Chinese Nationalist citizenship.

The signing of this pact was hailed with enthusiasm in Peking and Jakarta, but denounced in Taipei. Peking blamed the origin of dual citizenship for Chinese in Indonesia on the Dutch, American and British "imperialists," and the Kuomintang—on everybody but Communist China.

The treaty fails in one very important respect: it does not define clearly the type or types of persons whom it covers. Who are the "persons who hold simultaneously the nationality of the People's Republic of China and the nationality of the Republic of Indonesia"? Are they the Chinese who expressed a preference for Indonesian citizenship in 1951? Are they all residents of Indonesia who were born in China? Are they, as one might conclude from a study of the official Chinese attitude toward this problem in the past, all persons of Chinese extraction living in Indonesia? There is clearly a great deal of room for differences in interpretation.

The record of events leading up to the signing of the Sino-Indonesian treaty on dual citizenship seems to justify the conclusion that the Central People's Government waged a stubborn delaying action, lasting nearly a year and a half, before surrendering reluctantly to pressure brought to bear by Premier Nehru, who represented in this matter the views of the Indonesian and Burmese governments, in addition to his own and those of other non-Communist governments of South and Southeast Asia as well. It remains to be seen whether Peking will be willing to negotiate similar, but preferably less ambiguous, pacts with other governments. Absence of diplomatic relations with the Philippines and Thailand of course prevent it from doing so in those cases, but there is no reason why similar treaties could not be signed with Burma, India, the Associated States of Indochina, and with the British government to settle the status of the five million-odd Chinese who live in Hongkong, Singapore, the Federation of Malaya, North Borneo, Brunei, and Sarawak.

7. Attitudes of Overseas Chinese

There can be no doubt that at the time when they came to power the Chinese Communists enjoyed immense prestige and popularity among the overseas Chinese; the reasons have been clearly explained by "The Economist": "The Chinese of South-east Asia, finding themselves regarded as subjects by the local governments (whether western colonial or native authorities) and as outsiders by the native inhabitants, have looked more and more to the Chinese consuls and to the power and prestige of the Chinese state to gain or preserve for them the rights and the status to which they aspire. They desire, therefore, that China shall be as strong and independent as possible; for every increase of Chinese national power and prestige strengthens their own position as Chinese while every weakening or humiliation of China diminishes it. Hence the overseas Chinese have been from the beginning of the century enthusiastic supporters of every political movement which has aimed at the creation of a modernized and efficient unified China and has appeared likely to attain that end. . . . When the Chinese Communists, with complete

impunity, bombarded a British warship and held it captive in the Yangtse for many weeks; when the Americans after supporting the Kuomintang and maintaining a military mission and naval base in China abandoned the field to the hostile Communists; when Britain after extending de jure recognition to the Peking Government submitted to the indignity of being made to bargain for the precious privilege of being allowed to have diplomatic relations with the celestial empire—the all patriotic Chinese had to admit that here at last was a Chinese government which could put foreigners in their place. . . . There is, moreover, a further reason why Communism makes a strong appeal to overseas Chinese on nationalist grounds. As long as they were organized only in branches of the Kuomintang, a specifically Chinese party, which could never have non-Chinese members, they were cut off from the possibility of leading organized bodies of non-Chinese peoples. But Communism being theoretically international, Communist parties can be formed in Malaya, Siam or Indonesia, including both Chinese and non-Chinese members. The Chinese can be sure of playing the dominant—or at least a very influential—part in these parties, because of their initiative in them and the prestige of China as the model and promoter of Communism throughout the Far East."

By the spring of 1950, however, the Hongkong correspondent of *The Times* had sensed a change in the situation: "Overseas Chinese traditionally retain close ties with the homeland, and trim their sails to whatever wind is blowing in China. At the same time, being in effect south-east Asia's middle class and enjoying great wealth in their adopted countries, they represent an economic group not naturally sympathetic with Communist doctrine, and there is reason to believe that their initial patriotic enthusiasm is being modified by reports from China of deteriorating economic conditions."

Professor Paul M. A. Linebarger of The School of Advanced International Studies, Washington, D.C., who visited and studied overseas Chinese communities in various parts of the world during 1953-54, has expressed himself as follows with regard to shifting overseas Chinese loyalties and the reasons for them: "In Formosa itself, in the Philippines, in British Borneo, and in West Bengal ordinary Chinese shopkeepers, leather workers, rubber tappers, cooks, and truck drivers assured the author with varying degrees of emphasis that the Communist oppression of China was so cruel that a war (i.e. a major war in which China were defeated) would be the lesser evil. . . . The writer found in all countries that the Communist tide was receding, partly because the long-overdue but very substantial reform of the Nationalist Government on Formosa had made Kuomintang leadership attractive once more, even more strikingly because the Communists had overreached themselves with blackmail, intimidation, excessive promises, and mismanagement of particular local situations. Only in Communist-occupied Indochina, parts of Burma, and parts of Indonesia can the pro-Communist elements be said to be in the ascendancy. . . . The chief force operating against Communism among the Chinese of Indochina is the very bad local record of the Communists toward those Chinese who wanted to live up to the oldest and most distinct traditions of the overseas Chinese—the hope of saving a little money and becoming a petty landlord. Since Indochina is close to Kwangtung, the Chinese of Indochina long ago found out that they were exactly the kind of people whom the Communists desired not to have existed any longer. . . . The Communists have resorted to acts of atrocious cruelty against the immediate relatives of Chinese living in India. The writer's own rough estimate would be the Chinese of Calcutta, to take an example, were about 90 percent pro-Communist in 1949 and are about 85 percent pro-Nationalist in 1955. . . . The loss of the Chinese community in Calcutta to Communism has been taken very seriously by the top level of the

PROSPECTS FOR TRADE WITH CHINA

By a Foreign Trade Observer

PART TWO

China's Trade Prospects with Hongkong and Britain

Prospects for future Sino-British trade must be considered against the background of the past history of that trade, which is indicated approximately by the following tables:

Hongkong's Trade with China*	(US\$ million)	Exports	Imports
1949		126.8	137.7
1950		255.7	150.1
1951		305.0	161.9
1952		91.0	145.3
Jan.-Aug. 1953		71.6	106.1
Jan.-Aug. 1954		41.9	72.4

United Kingdom's Trade with China*	(US\$ million)	Exports	Imports
1949		9.7	14.8
1950		10.1	30.1
1951		7.9	23.7
1952		12.8	8.3
Jan.-Sept. 1953		13.6	19.5
Jan.-Sept. 1954		13.7	19.3

* Figures for 1949-51 include Formosa; 1952 and later figures for mainland only.

Chinese Communists. It has been disastrous for them that the local Chinese should show in India itself what the common Chinese at home think of Communism once they have seen it.

An article appearing in The New York Times in the autumn of 1951 estimated that the percentage of Indonesian Chinese supporting the Central People's Government had dropped from 90 in 1950 to 50 in 1951. The reasons assigned were much the same as those given by Professor Linebarger for the Calcutta Chinese, plus the high-handed behaviour of the Chinese Communist Embassy staff, police action by the Indonesian authorities against subversive pro-Communist Chinese, and Chinese defeats in Korea. Nevertheless, the writer added, underground organization among pro-Communist Chinese was proceeding rapidly.

As the result of observations made during a trip to the Far East in the summer of 1953, James Reston of The New York Times concluded that most overseas Chinese would prefer to stay out of politics. Despite their dislike of many of the Central People's Government's policies, they tend to cooperate at least passively with it as with any regime dominant on the China mainland. If the Peking regime were to be granted universal diplomatic recognition, Reston concluded, it would almost certainly increase its support among the overseas Chinese very considerably. He pointed out, furthermore, that the overseas Chinese still tend to think of themselves first as Chinese and only secondarily as citizens of the other Asian countries in which they live.

The attitudes and loyalties of the overseas Chinese will be greatly affected in the future as in the past, by the treatment accorded them by the countries in which they live. Regardless of the rights and wrongs of the various issues between the overseas Chinese and the peoples among whom they live—and there seem to be some of both on each side—harsh policies toward the overseas Chinese will tend to drive the uncommitted among them into the arms of Peking. The cases of Malaya and Indochina have shown what that could mean.

These figures, based on United Nations sources, show that the effects of the United Nations embargo have been felt, at least in terms of total volume of trade, by Hongkong more than by the United Kingdom, and in exports to China more than in imports from her. Hongkong took an estimated 35.3 per cent of China's total exports in 1950, 25.1 per cent in 1951, and 26.2 per cent in 1952.

Many British exporters have tended to assume that the industrialization of China envisaged in the Five Year Plan will open a large market for British capital goods in China. Since on the truth or falsity of this assumption future trade between Britain and China will probably stand or fall, it deserves careful examination. There seems to be little doubt that China would like to have British capital goods, provided the prices were low enough. The main question is whether she could pay for them, at any price which British exporters would accept. China's traditional exports consist mainly of foodstuffs and other raw materials; but Soviet experience indicates that food production is likely to decline during the forced-draught industrialization of a backward country accompanied by collectivization of a peasant agriculture.

Short of exporting strategic goods, Britain will find it difficult to export anything to China which the latter would not ordinarily prefer to procure from the Soviet bloc, even though the terms of trade seem to be more favorable to China in her trade with the free nations than in her trade with the Soviet bloc. An illuminating episode occurred after the government of Hongkong, at the urging of British exporters, removed light passenger automobiles from the contraband list in October 1953. During the following six months, exactly one British automobile was ordered from Hongkong for delivery in China. Governor Sir Alexander Grantham observed acidly, "I hope local merchants who exhorted the Government to remove this item from control will not miss the significance of this point."

The prospects for Sino-British trade were summarized at the end of 1954 by the Hongkong correspondent of The Manchester Guardian:—"Probably the export figures for this year will be lower than ever as China, unable to buy what she wants, is taking less and less of the goods the West offers. Presumably China would prefer, if she had to choose and if the same variety of goods were offered her, to continue to trade with other Communist countries, and, again if the choice were possible, would pay her debts to them before she paid her Western debts." In fact, as he also pointed out, it is by no means certain that China pays her debts even to the Soviet bloc; she is reported to owe Poland US\$1,000 million.

The main item which China cannot get from the Soviet bloc, and which the British Commonwealth can readily supply, is rubber. Rubber, however, is considered a strategic item and therefore, with the exception of certain shipments from Burma, Indonesia, and Ceylon (not member of United Nations), China is not known to have received any since 1951. On the other hand, the Peking radio announced in November 1954 that a plant in Shanghai had produced synthetic rubber tires which had been run with good results

for 25,000 kilometers. It seems unlikely that China can produce much synthetic rubber for some time to come.

Britain wants to export to China finished textiles, whereas China is interested only in yarn, or, better still, raw cotton. In other words, each side wants the employment and profits accruing from processing the raw material; this is a natural bone of contention, and one not likely to disappear soon.

One ground on which would-be British exporters to China sometimes base their hopes is a parallel between China and the Soviet Union, which for some purposes and at some periods has proved a reasonably reliable trading partner. This analogy has been deftly exploded by Sir Walter Fletcher, M.P.:

There is little analogy between trade with the U.S.S.R. and with Communist China because:—(1) Russia is a large gold producer, China is not. (2) Russia has had 30 years of painful and often ruthless sacrifice of her people in building up a great industrial machine, with a big "boot" from the United States and Great Britain during the war. None of this is true of China. (3) Russia has large and established lines for export, of proved quality, and a good record for proper delivery, —by no means the case in the "New China." (4) China, in government trading, has not maintained the high standard established in the past by the Chinese firm or individual. She has greatly damaged her credit standing by confiscation of property without compensation, by forcing established firms which had provided China with docks, shipbuilding and repair yards, textile, electrical, coal mining, and other important plant to keep these open, but not working, through threats and action against European and Asiatic staff held under duress, which still continues. (5) Russia has entered many new markets as an exporter. China has lost many of her old ones (a) through production of previous Chinese specialties in countries where risks are less, quality and delivery more certain, and price more in line with world prices; (b) where synthetics have replaced natural products, e.g. nylon for "hosiery" britles. The amount of imports China can afford against her exports is a very modest figure and in no way corresponds to the ridiculous and clearly propagandistic figures given to the Attlee mission by the Chinese Ministry of Commerce in Peking. Any of the large-scale imports China wants and needs must therefore be financed by the giving of long-term credits and that can easily run into tens of millions of pounds.

The South China Morning Post, Hongkong, which favors a relaxation of export controls, replied to this that no great increase in trade could be expected even if the controls were relaxed, and that China would find a way to pay for her imports because in the long run she could not afford to do otherwise.

The real obstacles to the expansion of British trade with China have never been more cogently summarized than by "The Economist" in its issue of December 20, 1952, under the title "The Chinese Trade Puzzle". Its analysis is as valid now as it was then.

Japanese Trade Negotiations with China

The first important Sino-Japanese trade agreement since the Second World War was signed in June 1952, in Peking, by a mission headed by Tomi Kora, a member of the Diet, on its way back from the International Economic Conference in Moscow. One Chinese source gives the total value of the agreement as US\$85 million, and another as 60 million pounds (i.e. 30 million pounds in each direction); it was never fully implemented, because most of the goods fell within the embargoed categories. In October 1953 another agreement was signed in Peking with a delegation of the (Japanese) Diet Members Union to Promote Japan-China Trade, under Masanosuke Ikeda; this agreement called for barter in the amount of 30 million pounds each way, but at the end of a year only 2.5 million pounds in contracts had actually been signed; over these and other such negotiations hung a dark cloud, the possibility that the Chinese might demand reparations for damage inflicted by Japan during the war.

In 1954 the Japanese Committee for the Promotion of International Trade, under the leadership of two former Ministers of Finance (Tokutarō Kitamura and Tanzan Ishibashi), like its British opposite number, came to life. In

late September, with the permission of the Japanese government, a group of twenty-one Diet members, representing all major parties, went to China to discuss the restoration of diplomatic and commercial relations, but it seems to have accomplished little of importance. In November a delegation nominally representing the Chinese Red Cross Society, under the leadership of Li Te-ch'uan, the lady Minister of Health and Liao Ch'eng-chih, Deputy Chairman of the Commission on Overseas Chinese Affairs, came to Japan and made speeches advocating closer commercial and other relations between the two countries.

The next step was to be the visit of a Chinese trade mission to Japan in the spring of 1955, but the barter agreement signed in October 1953 was due to expire at the end of December 1954, before the mission could arrive to renew it. The difficulty was solved by an extension, negotiated in Peking by Kazuo Suzuki, Managing Director of the Committee for the Promotion of International Trade, until a new agreement could be signed in March or April 1955. At the latter time Shozo Murata, Chairman of the Committee, was expected to press for long-term agreements, with settlement on an open-account rather than on a barter basis, and for permission (previously withheld) for Japanese vessels to use such ports as Tsingtao and Chinwangtao. Until August 1954, when Dairen was declared open to Japanese ships, they had been restricted to Taku and Shanghai, and most Sino-Japanese trade had therefore been carried in British and Dutch bottoms.

On January 4, 1955, Premier Hatoyama announced that his government was sending missions to the Soviet Union and China, and would be glad to receive missions from them in return. Mr. Murata reached Peking on January 9; on January 26, while in Hongkong on his way back to Japan, he described his talks with Lei Jen-min and other Chinese officials, but gave no indication that any trade agreements had been signed.

Prospects for Sino-Japanese Trade

Although Japan's trade with China had been climbing back from the low point reached in 1951-52, as the initial result of the imposition of export controls, it is still far below its prewar volume.

Japan's Trade with China Mainland
(US\$ million)

	Exports	Imports		
	Value	Per cent*	Value	Per cent*
1934-36 average	170	18.3	101	10.7
1949	3.1	0.6	21.7	2.4
1950	19.6	2.4	39.6	4.1
1951	5.8	0.4	21.6	1.1
1952	0.6	0.04	14.9	0.7
1953	4.5	0.35	29.7	1.23
1954	4.7	0.65	18.1	1.28

* Percentages are of Japan's totals.

This was true even in the pre-embargo year 1950, when Japan's trade with China was far below that of Hongkong.

Given this situation, it is natural that Japanese businessmen should want to increase their trade with China to something resembling its prewar level. Here again, however, there are serious obstacles, which have never been better summarized than by "The Economist" in its issue of January 2, 1954, under the title "Japan's Trade with China".

A recent Japanese analysis of the same problem is also pessimistic. Saburo Okita points out that the prewar market in China for Japanese consumer goods, especially textiles, has nearly disappeared. What China now wants is capital goods, which for the most part are either under embargo or produced more cheaply by other nations than by Japan, or

both. China's preference for trading with the Soviet bloc is also a serious obstacle. Furthermore, in view of the uncertainties of the current political situation, many Japanese traders and bankers are afraid that increased trade with the Chinese mainland may endanger Japan's relatively flourishing trade with Taiwan (roughly US\$60 million each way annually). He also points out that, for similar quality, Chinese coal is only slightly cheaper than American.

An official Japanese analysis of the Trade and Industry Ministry stated this: "First, while Communist China wants to import capital goods for the execution of its 5 year economic plan beginning in 1953, Japan is in a very disadvantageous position competing with western countries because of the higher prices of her capital goods. Secondly, Communist China was a market of Japan's miscellaneous consumer goods in pre-war days but now she is aiming at self-sufficiency in consumer goods and accordingly is not a prosperous market for Japan's consumer goods. In the third place, there are many restrictions upon the expansion of Sino-Japanese trade in connection with M.S.A. Finally there are various difficulties in connection with payment and transportation."

In the face of these unpromising realities, Chinese propaganda addressed to Japan continues to make fantastic statements about possibilities of vast Sino-Japanese trade. On January 8, 1955, for example, the Chinese Communist newspaper Kwang-ming jih-pao alleged that Japan could save US\$200 million per year (in other words, the saving alone would roughly equal the maximum annual value of Japan's prewar trade with China) by importing the coal, iron, salt and soybeans which she needs from China rather than from the United States. The editorial also blamed American embargo regulations for the alleged loss to Japan of a promising market in China for paper, machinery, textiles, marine products, and lumber. This is clearly untrue. In the first place, machinery would be the only one of these categories affected by the existing embargo on shipment of strategic goods to China. In the second place, this list (like the list of goods which the Federation of British Industries hopes to sell to China) overlaps to a considerable extent the list of goods which China has committed herself to send to Indonesia under agreement; paper, machinery, textiles, and marine products are mentioned in both lists. China, or at least her commercial propagandists, seems to be unable to make up her mind as to what she proposes to import and what to export.

Assuming, however, that China is in a position to export coal and iron, at least to Japan, for some time to come, there still remains the problem of quality. Manchuria has sizeable and accessible reserves of both, but the coal is not of good metallurgical quality, and the iron ore has a low iron content. There are no other large iron deposits near the coast, and the only other major coalfields so situated are those of the Kailan mines northeast of Tientsin. In any case, it seems very unlikely that China will export large amounts of minerals which she obviously needs for her own program of industrialization.

Future of China's Foreign Trade

China claims a desire to increase her trade with the "capitalist" world, and it seems quite possible that among the reasons for the attitude is dissatisfaction with the goods and terms encountered in China's trade with the Soviet bloc. Any large-scale expansion, however, seems out of the question as China lacks the means to pay for large-scale imports. Her shortage of foreign exchange is the main reason why China insists on barter, and yet her goods are in little demand except (to some extent) in Japan.

"If China was called upon to deliver all the goods she had offered to ship under "trade agreements" with delegations from India, Japan, Britain, and other western nations—many of the delegations being sponsored by Communist-front organizations—it is definite that she could not deliver. And, if she could not deliver, China could not accept, for the agreements are barter in nature. But China wishes to keep alive the myth of the unlimited market." So writes a Lecturer in Economics at the University of Hongkong (Mr. F. H. H. King).

If China cannot deliver, what is all the noise about? Unless China's leaders are unintelligent men, the most likely conclusion is that their main objective is to confuse and divide the "capitalist" nations, and engender among them the "contradictions" which Marxism teaches are inevitable among "bourgeois" nations. It seems probable that China will continue to dangle before Britain and Japan, among others, bait in the form of impossible promises and trade agreements, in the knowledge that embargoes and economic realities will prevent their fulfilment, and in the hope that the resulting disappointments can be turned to advantage by her propaganda.

(End)

REPORTS FROM CHINA

SINO-JAPANESE RELATIONS

According to an official statement from Peking, by the end of March 1955, 29,000 out of the 35,000 Japanese civilians were repatriated and the 6,000 Japanese civilians now residing in China have expressed their desire to stay behind. In August 1954, 417 Japanese "war criminals" were returned to Japan. There are now 1,069 war criminals in China, but Peking insists that this is a matter of Chinese sovereign rights in which the Japanese Government has no right to interfere. Peking reminded Tokyo that during the war, Japan "massacred" millions of Chinese and caused the loss of Chinese state and private properties worth billions of US dollars. Japan also carried away by force, thousands of Chinese to do slave labour in Japan and other areas. However, Peking might ignore these unsettled issues if Japan would sincerely discuss a number of major questions such as: the development of normal Sino-Japanese trade and the promotion of contacts between the Chinese and the Japanese peoples.

SINKIANG AUTONOMOUS REGION

China's largest province, Sinkiang, will become the Sinkiang-Uighur Autonomous Region in September this year. Sinkiang is about one-sixth of China's total area. It is inhabited by 13 nationalities with a total population of about 5 million. The largest is the Uighur people comprising about 75% of the population. Kazakh, Hui, Mongolian, Khalkhas, Sibo and Tajik peoples have already established autonomous local governments within Sinkiang.

DEVELOPMENT OF JOINT STATE-PRIVATE ENTERPRISES

Over 130 private shipping firms in China have been reorganized into joint state-private companies. Another 200 concerns will become joint enterprises before the end of the year. All coastal shipping companies with vessels of 500 tons or more are now under joint state-private control. Along the Yangtze River there are no more private steamship companies left. Private steamship companies operating along the Pearl River in South China are being converted into joint enterprises. In Shanghai, 53 private woolen mills will be merged into 19 joint state-private mills between September and October this year.

POWER OUTPUT

Between January 1953 and mid-August of this year, more than 40 new power generators started operation at state-owned power stations, increasing the power output by 50%. Over 1,800 kilometres of transmission lines were laid. Several huge generators were installed in the Northeast, where the bulk of China's heavy industry is located—the Fengman Hydroelectric station on the Sungari River and the steam power plants at the mining centres of Fushun and Fusin. Southwest China's first automatic power plant which went into operation last year, doubled the power supply in the Chungking area. A new high-tension transmission line is being laid from Chungking to a nearby big hydroelectric station. New generating plants were also completed in Chengchow, Taiyuan, Tientsin, Sian, Lanchow and Urumchi. The laying of the high-voltage transmission line, over 100-kilometres long, in Shansi Province is now under way. It will carry electrical power from the new heat and power plant in Taiyuan to the new industrial centre of Yangchuan. In Tibet, the survey of a 250-kilometre-long section of the

middle reaches of the Brahmaputra River up-stream from Lhasa was recently completed. The data collected is for use in plans to exploit the river's water power resources. The surveying of the Nyangchu River, tributary of the Brahmaputra that flows through important agricultural areas and the cities of Shigatse and Gyantse has begun. This survey will trace the source of the river and investigate its water resources for flood control, irrigation, small-scale power generation and other purposes. Mineral deposits along the river banks are also being surveyed.

INDUSTRIAL EXPANSION

Anshan has completed 17 of the projects scheduled for this city under the first five-year plan. They are a heavy rolling mill, a seamless tubing mill, a sheet steel mill, four automatic blast furnaces, eight coke oven batteries, an iron ore dressing plant and an iron ore sintering plant. Altogether 48 major projects are scheduled for Anshan between 1953 and 1960. Work is now progressing in the remodelling of two huge steel making plants and in the building of a new blooming mill, two new heat-resistant material shops, a new open-cut iron mine, a magnetic ore dressing plant, and other major projects. A large blast furnace is being restored and remodelled at the Penki Iron and Steel Company, not far from the Anshan steel centre. Paotow, a quiet trading town on the upper reaches of the Yellow River, is being transformed into a new steel centre. The construction of a giant iron and steel complex, together with mines to supply it with the ores and fuel will take seven more years to finish. There are enormous deposits of iron and reserves of coal nearby. Situated on the railway that links China with Mongolia and the Soviet Union, Paotow will have no difficulty in getting machinery and equipment from coastal cities and Russia.

The joint state-private cotton mill in Hofei, Anhwei, with its 50,000 spindles and 1,700 looms, will be completed in 1957. Half of the money for the construction of this mill comes from the private-owned Sung Sing Cotton Spinning and Weaving Company and Wing On Cotton Spinning and Weaving Company in Shanghai. Under the first five-year plan, 13 joint state-private textile mills with a total of 288,000 spindles and 7,300 looms, will be built in China.

The state-owned Shanghai Steam Turbine Plant will complete 4 6,000-kilowatt steam turbines this year. Trial production of explosion-proof electric motors for battery locomotives in coal mines is now under way. A special kind of hydroelectric generator has been designed for the Sikang highland, to operate on small river currents in the mountainous region. Trial production of the first set of combined printing and dyeing machinery is being carried out by Chengchow Textile Machinery Plant. 40 different types of combined printing and dyeing machines will be manufactured this year. The first Chinese-language teletype machine was recently completed in Peking. Trial operations were satisfactory. The telegraphic code that has long been used in China cannot convey Chinese-language messages directly and a transcription has to be done both before the messages are transmitted and after receipt. The new direct transmission will raise efficiency in tele-communications.

A shaft mine is now being sunk at the Tatung Coal Mines in Shansi. This mechanised shaft mine will raise the present output of the colliery by 20%. Tatung coal-field has one-tenth of all China's coal deposits. About 100 kilometres from Sian, a new shaft mine is under construction. It will become part of the Tungchwan coal mines and will have a capacity equivalent to the present total annual output of the existing pits. The new mine will be com-

pleted in 1958. In the central part of Hunan, a new high-quality coking coal field has been discovered. The field contains a seam of coal ranging from 2.5 metres to 11 metres in thickness. Two inclined coal pits in Northeast China (part of the Pehpiao Coal Mines) are under construction. Work will be finished in 1957. A modern open-cut iron mine in Tayeh is being constructed. The mine, which will be very highly mechanised, will supply iron ore to the Wuhan Iron and Steel Complex which will be built in the current five-year plan period.

Meanwhile, Peking urged industrial enterprises to economise the use of raw material. The People's Daily stated that roughly two-thirds of the capital for industrial construction during the first five-year plan would have to be accumulated by lowering the costs of industrial production, transport, and trade. Aside from raising labour productivity and reducing expenditures for non-productive purposes, raw materials must be saved in order to cut down production costs.

AGRICULTURAL DEVELOPMENTS

The food crop harvest in Heilungkiang will go up from last year's 6.7 million tons to nine million in 1957. Heilungkiang has an estimated 10 million hectares of fertile, unused land. Surveying of three million hectares will be completed by 1957. The irrigated area will be increased by 100,000 hectares in the next three years. Improved farming technique will raise the per-hectare crop-yield in 1957 by 28% compared with 1954. During the next 10 months, 250,000 hectares of wasteland will be reclaimed to yield 400,000 tons of maize annually. Recently, 60 young people left Peking to take part in land reclamation in Heilungkiang. Twelve of them are women.

Good grain and cotton harvests are expected in Hupeh this autumn. Last year this province was affected by the biggest flood in the past century. The wheat harvest earlier this year reached 850,000 tons. Szechwan expects to increase its total grain output from late autumn crops by 150,000 tons; Hunan expects an increase of 390,000 tons; Anhwei of 1,100,000 tons; and Kiangsu of 125,000 tons. A total of 18,750 tons of tea has been picked in Hunan this year, representing an increase of 9 per cent over that for last year. Hunan yields one-sixth of China's annual tea output.

In Hopei, 11 new tractor stations are being established and 14 existing stations expanded. These stations will plough 31,000 hectares of land. By Spring next year, the number of agricultural cooperatives in the Inner Mongolian Autonomous Region will reach 11,000, embracing 30 per cent of the region's total peasant households. By 1957, 50 per cent of the region's peasant households will become members of cooperatives. At present there are nearly 7,000 agricultural cooperatives in this autonomous region. The number of agricultural cooperatives in Kiangsu will increase from the present 35,000 to 100,000 by Spring next year. In Kiangsi, 26,000 new cooperative farms will be organized by next spring, bringing the total to 40,000, or one-fourth of all the peasant households. Some 45,000 cooperative farms are being set up in Yunnan. In Inner Mongolia there are already 6,800 cooperative farms, more than five times as many as last year. On Hainan Island, 5,000 new agricultural cooperatives will be set up between autumn and next spring. By the end of 1957, there will be over 12,000 cooperative farms, embracing over half the peasant households on the island.

COMMUNICATION LINES

Peking claimed that inland waterways open to transport had reached the 100,000-kilometre mark. This is nearly one-third more than in 1949. Night navigation on the

Yangtze River has been extended to Chungking. Improvements were made on other major waterways, including the Pearl River, the Grand Canal and the Sungari River. Rivers in Szechuan Province including the Kialing and the Min-kiang, tributaries of the Yangtze, were dredged and cleared this year. A newly built inland passenger and cargo steamer, the S.S. Peking, recently made her maiden voyage from Harbin to other ports along the Sungari River. With a tonnage of 300 tons and accommodation for 720 passengers, the S.S. Peking is now the biggest boat sailing on the river. The vessel was built by the Harbin Ship Yards.

Tracklaying along the Paoki-Chengtu Railway has reached Yangpingkwan, 398 kilometres northeast of Chengtu. The section from Chengtu to Kwangyuan has already been opened to traffic. When the section between Kwangyuan and Yangpingkwan is completed, it will be possible to send petroleum to Szechuan from Northwest China by train. The cost of transporting grain out of Szechuan Province will also be reduced. Total length of the Paoki-Chengtu Railway will be 680 kilometres. It will link Southeast China with the rest of the country at the northwest rail junction of Paoki in Shensi.

EROSION ALONG THE YELLOW RIVER

Preliminary work required to carry out large-scale water and soil conservation provided in the Yellow River harnessing scheme was recently completed. Large quantity of fertile top-soil is being washed away annually from highlands along the middle reaches of the Yellow River. This soil silted up and raised the river bed in its lower reaches, which resulted in regular floods. By checking soil erosion, the problem of floods could be solved at its source and soil fertility of land along the middle reaches maintained. During past years, 370,000 square kilometres of highlands along the middle reaches were surveyed. Water and soil conservation work completed up to the end of 1954 had reduced the annual amount of river silt by 45 million tons. Effective methods of checking soil erosion were established. By the end of 1954, 490,000 hectares were planted with trees and grass; 11.6 million check dams and 1.17 million water storage ponds and water cellars were built; and terraces, contour furrows and other works were constructed on 180,000 hectares of sloping farmland. Crop rotation and other improved methods of cultivation were also carried out. The Ministry of Water Conservancy claimed that water and soil conservation projects, coupled with silt-retaining dams on the tributaries would reduce the silt in the Yellow River by one-half by 1967.

EDUCATION AND TRAINING

Peking announced recently that 11 new colleges and universities would be built before 1957. These new institutions would be situated in Huhehot, Wuhan, Chengtu, Sian, Lanchow, and other inland cities. After the completion of these colleges and universities, China will have 208 higher educational establishments. According to the report of the recent national students' congress, there is a total of 4½ million college and secondary school students in China. In 1954, the proportion of students from worker or peasant families reached 29 per cent in colleges and 61 per cent in secondary schools. A group of 610 Chinese students has been sent to Russia to take up higher studies. 1,280 more students will be sent early in September. These students will take five-year university courses or three-year post-graduate courses in Moscow, Leningrad and other leading cities of the Soviet Union. 150 students will be sent to Germany, Czechoslovakia, Poland, Rumania, Hungary, Bulgaria, Korea, Mongolia, Vietnam, Yugoslavia, India, and Egypt this year for university and post-graduate education. From 1949 to 1954 China sent 2,880 students to Russia and other Communist countries, and India.

TARGETS FOR CHINA'S FIRST FIVE-YEAR PLAN

Mao Tse-tung's planning experts have set the targets, complete with figures, for various programs under the first 5-year (1953-57) plan. These resolutions have been published in book form and distributed throughout China. Cadres, as well as civilians, will be required to study this booklet and prove their patriotism and love for Chairman Mao by "overfulfilling" these targets. A new campaign has been launched in China by newspapers and party officials, emphasizing the importance of overfulfilling the plan. Various methods were suggested, including the spare-time education as a way to raise the workers' efficiency. In short, each and everyone in China must now work harder than ever before.

Steel Industry: China's steel output will reach 4.12 million tons by 1957, and around ten million tons by 1962. The first five-year plan calls for the construction or reconstruction of 15 major and 23 minor projects in the iron and steel industry. Anshan will be reconstructed and expanded in the eight years between 1953 and 1960 on the basis of the latest Soviet technique. Russia will also help China to build new steel centres at Wuhan in Central China and at Paotow in Inner Mongolia. The first stage in the construction of these two centres will be finished before 1962. Construction or reconstruction work will also be done on smaller plants, including the Tientsin and Tangshan steel plants in the North and the Chungking Steel Plant in the Southwest. Production of iron ore in 1957 will be 3.6 times the 1952 figure. Two manganese ore mines will be opened, four heat-resistant material factories built and two others reconstructed.

Power Supply: The total gross power generating capacity will reach 4 million kilowatts by 1957 or twice as much as in 1952. The first five-year plan calls for the construction of 92 major power stations throughout the country (76 steam power stations and 16 hydroelectric stations). Ten high-tension power transmission networks will be set up. New steam power stations will be located at the Fushan and Fusin mining centres; the future steel centres of Paotow and Wuhan; the new light industrial centres of Shinkiaochwang, Chengchow, Lanchow, and Chungking. The capacity of hydroelectric stations will amount to 17.1 per cent of the country's aggregate power generating capacity in 1957 as against 9.3 per cent in 1952. The existing hydroelectric station at Fengman on the Sungari River will be completely remodelled by 1959 with Soviet aid. Its generating capacity will then reach 567,000 kilowatts. The one million-kilowatt hydroelectric station at Sanmen Gorge in the middle reaches of the Yellow River will be completed before 1961. Before 1957, a number of smaller hydroelectric stations, including one on the Kwanting Reservoir near Peking, one on the Huai River and two in Sinkiang, will start operation.

Agricultural Output: There will be a 19.5 per cent increase in rice output in 1957 compared with 1952, a 30.9 per cent increase in wheat and a 17.9 per cent in soya beans. The aggregate increase in food crops will be 17.6 per cent. Rice output in 1957 will reach 81,770,000 tons; wheat 23,725,000 tons; soya beans 11,220,000 tons; and cotton 1,635,000 tons. By 1957, tea output will reach 111,850 tons, 35.8 per cent greater than in 1952; and the output of silk-worm cocoons will be 93,400 tons, a 50.1 per cent increase. The increase in agricultural production will be based on co-operation in farming and preliminary improvement in farming technique to raise the per-hectare yield. Mechanisation and large-scale land reclamation are to be carried out later. By the end of 1957, one-third of the country's peasant households are expected to join agricultural cooperatives. 2,578,000 hectares of wasteland will be reclaimed, bringing China's total area under cultivation up to 110,496,000 hectares.

Another 6.6 million hectares of wasteland will be surveyed for later reclamation. There will be 141 mechanised state farms in 1957 with a total cultivated area of some half a million hectares. These mechanised farms will be equipped with 5,146 tractors (calculated in terms of 15 H.P. each). In addition, 194 tractor stations will be set up. They will be equipped with 2,897 tractors to serve 230,000 hectares of farmland.

Production of Oil: Output of crude oil by 1957 will be 4.6 times that of 1952. Gasoline output will increase 3.8 times. Existing oil fields will be improved. New fields will be opened up. More synthetic oil will be produced in the coal-mining centre of Fushan. A modern oil refinery will be built and the existing ones restored and expanded. The capacity of China's oil refining equipment in 1957 will be two and a half times that of 1952. Altogether, 13 large projects will be started before 1957 and 9 will be completed during the period.

Coal Mining: China will build 122 major new coal mines and restore or reconstruct 57 old ones under the first five-year plan. Some of these projects will be completed before 1957. China's total coal output is expected to rise to 113 million tons in 1957 as compared with 63,530,000 tons in 1952. The production capacity of the Kailan Coal Mines will reach 9,680,000 tons and that of the Fusian Coal Mines 9,300,000 tons by 1957. Twenty of the new mines will be designed by Russians and equipped with Soviet machinery. Mines with an annual capacity of less than 600,000 tons will be designed by Chinese engineers and will have domestic-made equipment. Work on 11 new coal washing plants will begin during the period. Their aggregate coke-producing capacity will reach 17 million tons a year. Mining methods will be improved by extensive mechanisation.

Machine Building: By the time some 80 key projects provided for in the plan are completed, China will be producing her own motor cars, tractors, locomotives and complete sets of metallurgical, mining and power generating equipment. Some of the 80 key projects were completed last year. The rest will be finished before 1961. The ultimate output of metallurgical equipment plants will be enough to equip every year a completely new iron and steel plant of an annual capacity of 1,600,000 tons of steel. The annual output of mining equipment plants will be enough to equip pits with an aggregate annual capacity of 25 million tons of coal. The annual output of oil drilling equipment works will be enough to sink oil wells of an aggregate depth of 300,000 to 400,000 metres a year. The power equipment industry will produce generating units of 12,000-kilowatts, 25,000-kilowatts and 50,000 kilowatts. The two motor car plants and the factories building locomotives and rolling stock will be able to turn out 90,000 lorries, 930 locomotives, 1,500 passenger coaches and 9,000 wagons a year. The first tractor plant, which will be completed in 1959, will produce annually 15,000 tractors of 54 horse-power each, capable of ploughing three million hectares of land a year. More machine tool plants, ball-bearing factories and precision instruments works will be built. There will also be factories making machinery for the chemical industry, oil refining equipment, spinning and weaving machinery, and radio apparatus. During the first five-year plan period, production of four-ton lorries, freight train locomotives, coastal steamers with a displacement up to 7,450 tons, blast and open hearth furnaces, 12,500-kilowatt water power generating units and 6,000-kilowatt steam power generating units will be started. China will also manufacture complete sets of mining equipment for shaft mines of an annual capacity of 900,000 tons; excavators with scoops of three cubic metres; 100-ton overhead travelling cranes; complete sets

of equipment for spinning and weaving, dyeing and printing, sugar-refining, paper making and food processing; and 142 kinds of machine tools never before made in China.

Chemical Industry: Output of ammonium sulphate in 1957 will be 2.7 times as much as in 1952. Output of nitrate fertiliser in the same period will go up 5.8 times. Output of soda, acid, rubber and dyes will also be increased. Five nitrate fertiliser plants and two phosphate fertiliser plants are to be built or reconstructed during the period. The two Soviet designed nitrate fertiliser plants, when completed, will have a combined annual output of 210,000 tons. Four rubber factories will be rebuilt. By 1957 China will produce 760,000 motor car tyres annually. Other projects include the construction of plants for dyestuffs, calcium carbide and soda; and the reconstruction of plastics and paint factories.

Paper Mills: Ten big paper mills are scheduled under the plan. Seven will be completed by 1957. The total output of machine-made paper will reach 655,000 tons by 1957, newsprint accounting for 154,000 tons. Key targets for the paper industry during the period are to lay the technical foundations for the large-scale manufacture of paper for industrial use; to ensure a regular supply of newsprint and other types of paper; and to increase the production of paper pulp. One of the major new projects is a large pulp and paper manufacturing works which will specialise in paper for cement bags, cable wraps, and other industrial uses. It will also produce the copper wire netting used in paper making. A big newsprint plant is being reconstructed and expanded in South China. A new paper pulp-board mill will be established in the area to use sugar cane residue as raw material. Other projects include mills which will manufacture cigarette paper.

Textile Industry: During the period, 1,650,000 spindles will be installed, bringing the total up to 7,310,000 spindles by 1957. 39 major cotton mills, including a knitting mill, are scheduled for construction or expansion under the plan. Most of these mills will be located in cotton producing regions in North, Northwest and Central China to balance the over-concentration of this industry in the coastal cities. Privately-owned mills, which accounted for 38.2 per cent of the total number of spindles in the country in 1952, will all come under joint state-private ownership by 1957. Cotton yarn output will reach five million bales in 1957, 38 per cent more than in 1952; cotton piece-goods 163 million bolts, 47 per cent over 1952 (excluding hand-made yarn and cloth). Compared with 1952, output of woollen fabrics will be doubled and silk fabrics increased by 78.5 per cent by 1957. Large-scale production of linen has begun with the completion of a new linen factory in Harbin. A new rayon factory is to be built in Heilungkiang.

Pharmaceutical Industry: Four major pharmaceutical plants will be built before 1957 to produce anti-biotics, sulpha drugs, and other medicines. Priority will be given to the production of anti-biotics, synthetic drugs and other pharmaceutical chemicals. Attention will be paid to research in traditional Chinese drugs, the cultivation and processing of medicinal herbs. By 1957 output of important medicines will be as follows: penicillin 29 million vials of 300,000 units each; chloromycine 6,000 kilogrammes; and various sulpha drugs 844,000 kilogrammes. Leading private pharmaceutical factories will be transformed into joint state-private enterprises. More pharmacists will be trained and research work and trial production of new medicines carried out.

Education: Sixty new colleges and universities will be opened before 1957, bringing the total number of higher educational establishments throughout the country up to 208. Of these 15 are universities and 47 technological institutes. Six of the higher educational institutions are specially for the national minorities. During the five-year period, 543,300 students will be enrolled in colleges and universities and 283,000 will be graduated. One in every three graduates will be engineers. Vocational schools will

take in one million new students in the five years from 1953 to 1957. During this period, a total of 888,000 young technicians and other specialised personnel will graduate from these full-time trade schools. Vocational education is concentrating primarily on the training of technicians, agriculturists and administrators for industry and cooperative farming. Senior middle schools will admit 1,080,000 new students during the same period. There will be 600,000 senior middle school graduates. Primary school attendance will reach 60,230,000 by 1957. There will be an appropriate growth of kindergartens. Under the plan illiteracy is to be wiped out among a total of 23 million government employees, industrial workers, and peasants. China plans to send 10,100 students abroad in the first five-year plan period. Of these, 940 will go to Russia. During this period, 900 students will return to China after completing their studies abroad. In addition to this, 11,300 factory administrators, engineers, technicians and skilled workers from major industrial projects will be sent to Russia and other Communist countries for field training. Nearly all of them will return before 1957.

Scientific Research Work: The Academy of Sciences will quadruple the number of its research workers during the period. By 1957, there will be 51 research institutes, an increase of 23 over 1952, with 4,600 research workers. The 11 major fields of scientific research are: the peaceful uses of atomic energy, the building of new iron and steel bases, the study of petroleum, earthquake research, long-term plans to harness major rivers, tropical plant resources in South China, the geographic and economic division of China, the study of anti-biotics, the study of high polymers, theoretical problems in China's national construction during the transition period, and modern and contemporary Chinese history. Apart from the Chinese Academy of Sciences, industrial and agricultural departments are to set up their own scientific research institutions. Scientific research in the fuel, metallurgical, machine-building, chemical and building industries is to be greatly developed. Inventions and scientific discoveries will be awarded.

Motion Pictures and Cinemas: A new film studio capable of producing eight full length colour films a year is being scheduled. Its construction will begin in 1957. Projects for developing the film industry also include a plant for the production of negatives with a capacity of 65 million metres of celluloid a year and a film developing plant which will be able to develop 45 million metres of film a year. 218 new cinemas are to be built in the cities during the period, to bring the total number of cinemas to 896. In addition, 4,720 new film projection teams will be added to make the total 6,614 by the end of 1957.

Transportation and Communication Lines: During the 1953-57 period, 3,284 kilometres of new railway trunk lines will be completed. About 30 per cent of the Lanchow-Sinkiang Railway will be completed by 1957 (to a point 830 kilometres northwest of Lanchow). This line will combine with the existing Lunghai Railway to form a cross country trunk line, some 4,500 kilometres long, from the Yellow Sea coast to the borders of the Soviet Union. The Paoki-Chengtu Railway is scheduled to be completed in 1957. The Chinese section (337 kilometres) of the Tsining-Ulan Bator Railway which links China, the Mongolian People's Republic and the Soviet Union, was completed last December. The 317-kilometre Litang-Tsamkong Railway reaching to the peninsula opposite Hainan Island and the 106-kilometre Fengtai-Shacheng Railway across the Great Wall near Peking have already been completed. Three more trunk lines will be finished after 1957: one will end at the seaport of Amoy in Fukien; another will link the future steel centre of Paotow with Lanchow; and the third will be a new line from Peking to the Northeast. An additional 1,514 kilometres of existing trunk lines will be double-tracked, bringing the total of double-track lines up to 2,971 kilometres. By 1957, the lines from Harbin to Dairen (946 kilometres) and from Shenyang to Peking (854 kilometres) will all be double-tracked. Added

to these major projects are the laying of new branch lines; the reconstruction of old lines; and the extension of station spurs, as well as industrial and other special lines. The total increase during the period will amount to some 10,000 kilometres. Another important transport project is the Yangtze River Bridge at Wuhan. Its construction started this year and is due for completion by 1959. During the period, the number of locomotives will be increased by 16.6 per cent, wagons by 51.6 per cent and passenger coaches by 58.7 per cent. In actual numbers, new rolling stock to be added amounts to 550 locomotives, 33,720 wagons and 1,437 passenger coaches.

Ten thousand kilometres of highways will be built and reconstructed and 7,000 kilometres opened to traffic within the five-year period. The 2,255-kilometre Sikang-Tibet and the 2,100 kilometre Chinghai-Tibet highways were opened to traffic last year. Other major works already completed include 827 kilometres reconstructed in Chinghai; 189 kilometres reconstructed from Kansa to Chinghai; and 209 kilometres built in Kansa. Major highways under construction include the Lhasa-Shigatse and the Shigatse-Gyantse highways. Three major roads to be reconstructed are: the 224-kilometre highway from Kwangtung to Kiangsi; about 280 kilometres in Yunnan; and 735 kilometres in Kwangtung.

Inland shipping tonnage under the Ministry of Communications is expected to increase by 289,000 tons during the period. The tonnage of coastal and ocean ships will increase by 111,000 tons. A new harbour along the Yangtze is scheduled to be built at Yukikow in Anhwei. Loading, unloading, and tele-communications equipment will be added to Shanghai, Hankow and other major Yangtze Harbours. A new harbour will be built in Tsamkong on the Leichow Peninsula opposite Hainan Island. River dredging projects include clearance of the channels of the upper Yangtze in Szechwan Province and the installation of buoys for sectional night navigation from Ichang to Chungking. Unified administration of Pearl River transport and preliminary dredging of its channel will also be carried out. The grand canal and the upper reaches of the Yangtze will be surveyed.

Construction of a central civil aviation airport in Peking is scheduled under the plan. The number of big airliners will be increased. Through flights will be established from Peking to Shanghai, Canton, Paotow, and other cities. Another line will run from Canton to Hainan Island.

Water Conservancy Works: Four big reservoirs are to be completed by 1957 under the Huai River harnessing project. Work will also begin on the Yellow River during the period. The Sanmen Gorge project will be started in the latter part of the plan. The dam of this project will be high enough by 1960 to hold back torrents along the river and its hydroelectric station will begin operation by 1961. In the meantime, dykes along Yellow, Yangtze, Han, and Huai rivers are being strengthened. Water detention basins are to be built along the lower reaches of the Han River, in the Tungting Lake area and other places. Improvements are also to be made along North China's Haiho River system which empties into the sea near Tientsin. By 1957, the irrigated acreage of China will be extended by 4.8 million hectares, mostly through the building of small irrigation projects. The total area of paddy fields and irrigated land will reach 33.5 million hectares. Water and soil conservation works are to be built extensively, including those in the Yellow River Basin. Small hydro-power stations are to be built in the rural areas on an experimental basis.

Afforestation Projects: An area of over six million hectares will be planted with trees by the end of 1957. Most of the timber, including Chinese fir, pine, cypresses and eucalyptus, will be planted in the southern half of China, where the trees mature faster. On 1,560,000 hectares in

various parts of the country, trees are being planted as shelter belts. They include the forest belt along the borders of Inner Mongolia, the forest belts in northern Shensi and east Honan, and the forests along the Yellow River, Yungting, Huai and Han rivers.

Timber Output: China's timber output will reach 20 million cubic metres by the end of 1957. Over 3,000 kilometres of forest railways will be built in the major timber areas of Northeast China and Inner Mongolia. Timber felling and transportation there are to be mechanised.

Aquatic Products: The total output of aquatic products will reach 2,807,000 tons by 1957, 68.5 per cent more than in 1952. More equipment is being provided to develop deep sea fishing. Fishing will be carried on all the year round and the fishing areas extended. In fresh-water fishery, breeding will be greatly developed.

Livestock Breeding: The total number of cattle will be increased by 30 per cent and that of hogs by 54 per cent. By 1957, there will be a total of 73.6 million heads of cattle and 138.3 million hogs. The number of sheep and goats will reach 113 million heads. There will also be more horses, donkeys, mules and domestic fowl. Milch cows are being added in areas surrounding cities and industrial centres. Fifty more state-owned livestock farms will be set up.

Food Processing Industry: The building of 34 new food processing factories will be started during the period. All but 3 will be finished by 1957: 18 sugar refineries, 9 meat packing plants, 1 oil mill, 3 salt refineries, 1 fruit juice distillery, 1 malt factory, and 1 flour mill. By the end of 1957 the annual output of the major food products will be: flour, 4,670,000 tons; fish and meat products, 921,000 tons; edible vegetable oils, 1,794,000 tons; sugar, 1,100,000 tons; salt, 7,554,000 tons. The output of cigarettes will reach 4,700,000 cases.

Joint State-Private Enterprises: There will be 8,000 joint state-private industrial enterprises by 1957. The value of their output will reach 11,830 million yuan, making up 22.1 per cent of the country's total industrial output. By 1957 the state will have invested 200 million yuan in the joint enterprises. The total output of private industrial concerns by 1957 will be 6,560 million yuan, or 12.2 per cent of the country's total industrial output, as against 39 per cent in 1952.

Labour Employment: The employment figure will reach 25 million by 1957. This is more than 4 million above the 1952 figure. Nearly two-thirds will be employees of government, cooperative, and joint state-private enterprises. Among them, employees of industrial enterprises will reach 5.1 million. It is estimated that 1.14 million people now in private industry and commerce will be shifted to state, cooperative, and joint state-private enterprises by the end of 1957. Wages of government, cooperative, and joint state-private enterprises' employees will be raised by an average of 38 per cent by 1957. Highly qualified technicians and scientists will receive greater increases.

Public Health Projects: By 1957, the number of beds in public hospitals will reach 244,000. This represents an increase of 77.2 per cent over 1952. There will be 47,000 doctors including 4,000 physicians of the traditional Chinese school in these public hospitals. The number of beds in public sanatoria will reach 55,000 by 1957. About 343,000 doctors will work in private hospitals and clinics by 1957. Among them 320,000 are to be physicians of the traditional Chinese school. Study of traditional Chinese medicine and its prescriptions will be promoted. Production of traditional Chinese pharmaceuticals will be raised and costs lowered.

TAIWAN'S "LAND TO THE TILLER" PROGRAM

Communists in China are driving farmers towards Socialism under which land will belong to the State and farmers will be urged to toil and sweat for the "People". In Taiwan, Kuomintang has introduced a "Land to the Tiller" program under which farmers are permitted to own the land they till and to enjoy a good portion of the fruits of their labour. As early as 1949, the Government started the land reform program by reducing the farm rent from 50% to 37.5%. In 1951, the project was carried a step further by selling the 181,490 chia** of former Japanese property to farmers. The "Land to the Tiller" Act was promulgated in January 1953. Every landlord was allowed to retain three chia of paddy fields for himself; all tenanted land over and above this limit as well as all tenanted land under joint ownership were compulsorily purchased by the Government and resold to cultivators. An important point in this program was that compensations for the compulsorily purchased land were paid 70% with land bonds in kind and 30% with public enterprise stocks. This measure diverted interests in land into industrial assets and thus laid the foundation for industrialization of Taiwan. To the tiller, the Government gave not only the right of ownership of the land he was tilling but also other forms of assistance. For example, the farmer was allowed to pay for the land resold to him by the Government in instalments spreading over a period of ten years with payments for each year not more than the amount of annual farm rent he had paid after the rent-reduction in 1949.

The Sino-American Joint Commission on Rural Reconstruction which helps the Government to improve agricultural production and to raise farmers' standard of living, recently compiled a report on the introduction and adoption of the "Land to the Tiller" program in Taiwan. The project was carried out in two stages: (1) the classification of ownership; and (2) the enactment and implementation of the "Land to the Tiller" Act.

CLASSIFICATION OF LANDOWNERSHIP

All lands owned by any one individual in different areas were classified under his name. The data thus obtained formed the basis on which the programme and the policy of equalizing land rights was implemented. The work was started early in 1951. It was done by the 59 land offices under the various hsien and city governments. The procedure consisted of examination and correction of the original

cadastral records; compilation of record cards; landownership classification; compilation of landownership cards; compilation of joint ownership cards; compilation of statistics; and registration of changes in land rights.

The Land-Record Cards included following headings: (A) Particulars, (B) Land Use, (C) Ownership, and (D) Other Rights Over Land. Landownership classification was based on the residence of the landowner as the only criterion. The task of landownership classification began on the Township or Village level by classifying all the cards of each Township or Village according to the residences of individual landowners. This work then proceeded from the Township or Village level through the Hamlet or Section level down to the Neighborhood level until it reached the Household, in which the landowner had his residence. If the owner of land in one Township or Village had his residence in another Township or Village either of the same or a different Hsien or City, the card was transferred to the Land Office of the latter for purposes of landownership classification. Land under joint ownership was classified under the names of all the joint owners, and not under the name of each owner separately. The Landownership Cards were compiled under the names of individual landowners from data contained in the Land-Record Cards. On each card were recorded all the plots of land owned by the particular landowner in all villages and hsien throughout the whole province. Cadastral statistics were compiled from the Land-Record Cards, and statistics on land distribution from the Landownership Cards. Altogether 4,039,685 Land-Record Cards involving 3,972,112 plots of registered land amounting to 1,330,468 chia; 1,046,892 Landownership Cards involving 829,864 families of landowners; and 1,574,846 Joint Ownership Cards involving 1,480,227 plots of land were compiled by the end of March 1952. The statistics of general landownership classification for Taiwan Province as a whole were completed and revised before August 1952.

According to the statistics compiled there were by the end of June, 1952, 611,193 families of landowners owning a total of 681,154 chia of private farm land. The average area of farm land per family was 1.1145 chia. The joint ownership of land was a rather common phenomenon in Taiwan. The causes that gave rise to joint ownership were: reclamation of land through common efforts in the early history of Taiwan; joint purchase of land; and inheritance of ancestral landed property by brothers. The owners of farm land in Taiwan were mostly owners of small holdings. Of the 611,193 owner-families 70.62 per cent owned less than one chia of farm land each and 93.23 per cent less than three chia. Only 5,051 families, or approximately 0.8 per cent of the total number of owner-families, owned ten chia or more each, and 66 families owned 100 chia or more each:

NUMBER OF FAMILIES OWNING PRIVATE FARM LAND (JUNE 1952)

Farm Size	Owner-Cultivator Families	Lessor Families	Part Lessor and Part Owner Families	Total Number of Families	Total Percentage
Less than 0.5 chia	242,280 56.04%	31,547 41.05%	15,128 14.82%	288,955	47.28%
0.5-1 chia	101,293 23.43%	20,349 26.48%	21,017 20.60%	142,659	23.34%
1-2 chia	60,899 14.09%	15,213 19.80%	27,304 26.76%	103,416	16.92%
2-3 chia	16,140 3.73%	5,043 6.56%	13,579 13.31%	34,762	5.69%
3-4 chia	5,683 1.32%	2,123 2.76%	7,655 7.50%	15,461	2.53%
4-6 chia	3,898 0.90%	1,630 2.12%	7,650 7.50%	13,178	2.16%
6-10 chia	1,552 0.36%	699 0.91%	5,460 5.35%	7,711	1.26%
10-20 chia	430 0.10%	219 0.28%	3,036 2.97%	3,685	0.60%
20-50 chia	97 0.03%	26 0.04%	981 0.96%	1,104	0.18%
50-100 chia	14 —	1 —	181 0.18%	196	0.03%
Over 100 chia	6 —	—	60 0.05%	66	0.01%
Total	432,292 100.00%	76,850 100.00%	102,051 100.00%	611,193	100.00%

Of the 681,154 chia of private farm land in Taiwan, a little over 50 per cent were jointly owned, approximately 45 per cent come under individual and the remainder under corporate ownership. From another point of view it was found that about 45 per cent of all the private farm land in Taiwan were owned by owner-cultivator families, 12 per cent by lessor families, and 43 per cent by part lessor and part owner families. Of the 427,197 chia of owner-cultivated private farm land, approximately 72 per cent were cultivated by owner-cultivator families and 28 per cent by part lessor and part owner families. Of the 253,957 chia of tenanted private farm land, approximately 32 per cent were leased to tenants by lessor families and 68 per cent to tenants by part lessor and part owner families:

planning project had been announced; newly reclaimed land and land from which crop harvests could not be expected for certain; land used for purposes of experimentation, research, or agricultural extension; land needed by educational and philanthropic institutions; and land required by public and private enterprises for the supply of raw materials.

D. Value of Farm Land and Compensation for Landlord: The value of land compulsorily purchased was calculated at two and a half times the total amount of its annual main crop yield for the respective land grades. Compensation for the landlords was paid 70 per cent with land bonds in kind and 30 per cent with government enterprise stocks.

PRIVATE FARM LAND OWNED BY DIFFERENT KINDS OF OWNERS (JUNE, 1952)

Farm Size	Area of Owner-Cultivated Land*	Area of Tenanted Land†	Total Area	Percentage
Less than 0.5 chia	55,296	12,215	67,511	9.91%
0.5—1 chia	79,008	23,570	102,578	15.06%
1—2 chia	100,771	43,124	143,895	21.13%
2—3 chia	53,169	30,827	83,996	12.33%
3—4 chia	30,670	22,333	53,003	7.78%
4—6 chia	33,873	29,837	63,710	9.35%
6—10 chia	28,206	30,146	58,352	8.57%
10—20 chia	20,766	28,304	49,060	7.20%
20—50 chia	13,126	18,355	31,481	4.62%
50—100 chia	5,728	7,615	13,343	1.96%
Over 100 chia	6,594	7,631	14,225	2.09%
Total:	427,197	100.00%	253,957	100.00%
			681,154	100.00%

Notes: * This includes both the land cultivated by owner-cultivator families and that part of the land actually cultivated by part lessor and part owner families.

† This includes both the land leased to tenants by lessor families and that part of the land leased to tenants by part lessor and part owner families.

ENACTMENT OF THE "LAND TO THE TILLER" ACT

The "Land to the Tiller" Act was divided into five chapters on General Provisions, Purchase of Farm by the Government, Resale of Farm Land Purchased by the Government, Restrictions and Penalties, and Supplementary Provisions. Simultaneously, two other laws of a subsidiary character entitled Regulations Governing the Issuance of Land Bonds in Kind in Taiwan Province and Regulations Governing the Transfer of Government Enterprises to Private Ownership were enacted. The following are prominent features of the Act:

A. Compulsory Purchase: The farm land compulsorily purchased by the Government was limited to farm land under lease. It included land owned by the landlord in excess of the retention limit; land under joint ownership; the privately owned portion of land jointly owned by private individuals and the Government; land under Government trusteeship; land used for ancestral worship and land owned by religious institutions; land owned by the Shenming Hui* and land owned by other juridical persons and corporate bodies; and land which the landlord did not wish to retain.

B. Retention Standards: The standard amount of farm land which a landlord was allowed to retain was three chia of the 7th to the 12th grade paddy field, or a proportionate area of higher or lower grade paddy fields or dry land according to the prescribed standards of conversion. In case any landlord had both land leased to tenants and land under his own cultivation, the area retained by him was calculated by taking all his holdings in the aggregate.

C. Exemption from Compulsory Purchase: Following types of farm land were exempted from compulsory purchase: tenanted land lying within an area for which a city

The land bonds in kind bear interest payable in kind at 4 per cent per annum and are redeemable in equal installments spread over ten years.

E. Compulsory Purchase of Immovable Fixtures: All immovable fixtures such as farmhouses, drying grounds, ponds, fruit trees, bamboo groves, and woods which form part of the compulsorily purchased land were purchased by the Government together with the land.

F. Resale of the Farm Land: The farm land compulsorily purchased by the Government was resold to the tiller. Its resale price was calculated according to the same standards used in its compulsory purchase from the landlord. The farmer purchaser was required to pay the price of the land plus interest (4% per annum) in equal installments spread over ten years. The average annual payment does not exceed the burden borne by the farmer under the 37.5% rent limitation program. The tenant farmer or farm hand was given the first priority to purchase the land offered for sale. Government loans were granted to them to effect the purchase.

G. Better Utilization of Land: The Government earmarked a special sum of money as a production fund from which loans were extended to the farmer purchasers at low rates of interest. Authorities also assisted the farmer purchasers to operate their farms with modern techniques on a cooperative basis.

The above Act and two subsidiary Regulations were passed by the Legislative Yuan on January 20, 1953 and promulgated by a Presidential decree on January 26. On January 29, 1953, the Executive Yuan issued a decree designating Taiwan Province as the area where the "Land to the Tiller" Act was to be implemented. With the promulgation of Regulations governing the Implementation of the "Land to the Tiller" Act by the Taiwan Provincial Government on April 23, all the legislative procedure for the implementation of this new policy was completed.

* The Shenming Hui is a popular religious association in Taiwan.—Ed.

IMPLEMENTATION OF THE "LAND TO THE TILLER" PROGRAM

The enforcement of the land to the tiller program was divided into 10 main steps which were completed by the end of 1953:

Formulation of Practical Measures January 1-February 28.

Training of Working Staff February 1-March 11.

Popular Information and Education February 1-December 31.

Rechecking of records etc. February 1-April 30.

Compilation of Lists of Land to be Compulsorily Purchased, Retained, or Resold to Farmer Purchasers April 16-30.

Screening and Approval of the Lists Compiled April 20-30.

Compulsory Purchase of Land and its Resale to Farmer Purchasers May 1-October 16.

Checking Over of Maps and Records September 1-December 31.

Compilation of Statistics March 1-December 31.

Critique and Appraisal.

Investigation of Farm Lands: This investigation included within its scope all private farm lands that were governed by the 37.5% lease contracts as well as those that were cultivated either by the owners themselves or by farm hands. A total of 2,020,000 odd plots were investigated, and over 500,000 families of tenant farmers, farm hands, and owner-farmers were visited. The items that were investigated included all particulars of farm land, the method of its use, rights and obligations involved, and the amount of its annual yield together with the family economic condition of the tenant farmers and farm hands, their capacity to undertake farming, and their personal inclination and wishes concerning the purchase of farm land. Any information which was originally available in the land cards and records was checked on the spot. Any information which was not originally available in the old files, such as the employment of farm hands and the use of farmhouses, drying grounds, ponds, fruit trees, bamboo groves, and woods, was recorded. Cases of illegal termination of lease, illicit sublease, failure to sign lease contracts as required by law, and disputes concerning land rights and tenancy were investigated. Approximately 900,000 Landownership Check Sheets and 2,750,000 Farm Land Check Sheets were made out. There were altogether more than 2,000 investigators for the province as a whole.

Compulsory Purchase of Farm Land by the Government: The computation of areas to be compulsorily purchased and retained was made by assembling together all the cards belonging to the 170,000 lessor families out of the 800,000 odd landowning families, for which landownership cards had been compiled during the general landownership classification in 1952. All compulsory purchases of farm land were approved by the Hsien or City Governments. All retentions of farm land by the landlords were considered by the Village or Township Farm Tenancy Committee, and the results of such consideration were reported to the Hsien or City Farm Tenancy Committee for confirmation and submitted to the Hsien or City Government for approval. The Lists of Farm Land to be Compulsorily Purchased and of Farm Land to be retained were compiled by the Village and Township Offices and submitted to the proper authorities for approval or consideration. After approval by proper authorities, the areas to be compulsorily purchased and retained were publicly announced. After a 30-day period, the Hsien and City Govern-

ments notified the landlords to surrender their title deeds and other relevant documents within a certain time limit. All title deeds and other relevant documents which had not been duly surrendered within the prescribed time limit were declared to be null and void. Upon the receipt of the title deeds and other relevant documents the Hsien and City Governments gave landlords written notice with which they went to the Land Bank of Taiwan to get the compensation for their land.

Resale of Farm Land to Farmer Purchasers: Both the farm land and immovable fixtures and sites compulsorily purchased by the Government were resold to the present cultivator. On the payment of the first instalment of the purchase price, the farmer purchaser was issued a landownership certificate. This new landownership certificate was identical in shape and size with the ordinary title deeds, with the only difference that a note was affixed thereto stating how the ownership had been acquired. As soon as the entire purchase price was paid in, the Land Bank of Taiwan stamped the certificate with "The purchase price has been paid in full", and the tiller became the rightful owner of his land.

Special Relief Measures: One of the most important provisions of the "Land to the Tiller" Act was that lessors of farm land under joint ownership who were old and infirm, widowed, orphaned, or physically disabled and who had to depend upon the land for their livelihood were, upon government approval, allowed to retain part of their land according to the standard prescribed for the general run of landlords.

RESULTS OF THE "LAND TO THE TILLER" PROGRAM

The "Land to the Tiller" programme in Taiwan was completed in 1953. According to statistics compiled by the Provincial Land Bureau, 143,568 chia of farm land belonging to 106,049 landlords, were compulsorily purchased by the Government and resold to 194,823 farming families. In 1953, 28,960 tenant families purchased directly from landlords 15,646 chia of farm land. If these figures are added to the above, the total number of farming families which acquired the ownership of land in 1953 would be 223,783, and the total area of farm land acquired by them, 159,214 chia. Consequently, the ratio between owner-cultivated and tenant land with regard to the 681,154 chia of private farm land in Taiwan changed from 61.4:38.6 to 84.8:15.2, as shown in the following table:

	Before Implementation of the Programme		After Implementation of the Programme	
	Area (Chia)	Percentage	Area (Chia)	Percentage
Owner-Cultivated Land	418,503	61.4%	577,717	84.8%
Private Tenanted Land	262,651	38.6%	108,437	15.2%
Total:	681,154	100.0%	681,154	100.0%

Upon the implementation of the programme the number of tenant families leasing private farm land dropped from 311,637 to 149,282. The average area purchased by all the farmer purchasers was 0.74 chia per purchaser family. Of the 194,823 farmer purchaser families, 149,146 families or 76.55% purchased less than 1 chia each. They purchased among themselves a total of 64,420 chia, or 44.87% of all the land offered by the Government for resale. The total area of farm land cultivated by these 194,823 farmer purchaser families was 206,038 chia, including 143,568 chia recently purchased under the land-to-the-tiller programme, 26,041 chia originally owned and cultivated by themselves, and 36,429 chia leased from other persons.

JAPANESE CULTURED PEARLS

Pearls "teardrops from a star", are universally famous for their lustrous appearance and have been popular among ladies throughout the world for centuries. Cultured pearl production originated in China around the 13th Century. Later in 1844, it expanded to Tahiti and Polynesia; and still later to the areas around the Red Sea, the Mediterranean and the Gulf of Mexico. It is known that in China, women grind pearls into powder to be taken internally as a beauty medicine.

Mr. Tokichi Nishikawa, a Japanese zoologist, started the first pearl producing industry in Japan in 1907. In 1915, the patent for pearl production was given to Kokichi Mikimoto, who became famous as pearl king of the world. He devoted his whole life to this industry and today his name is synonymous with pearls.

When Mikimoto's patent expired in 1930, thousands of big and small cultured pearl "farms" entered the competitive field. They concentrated around the areas of the Ago Bay in Miye Prefecture and Omura Bay in Nagasaki Prefecture which became the two great centers of the Japanese pearl industry. Mainly women divers are employed in diving for pearl oysters. They are all natives of Wagu Island (well known as the island of women divers). Diving careers are theirs by an unwritten law. Simple white cotton garments protect themselves from sharks. Goggles over their eyes are being worn. In summer, the women dive for a type of oyster which is used to produce pearls by "nucleus insertion". The nucleus consists of other shells, such as Pigtoe Shell found in the Tungting Lake in China and the Mississippi River in the United States. These are crushed and made into beads of various sizes. The delicate work of inserting the nucleus into the baby pearl-making oyster starts with the operation of partly opening the shell. Then two to three nucleus are placed into the shellfish's generative organ.

The oysters are then placed back into the sea in wire baskets which are suspended from rafts to prevent them

from floating away. 3 to 4 years pass before the pearls reach maturity. Too long a period of cultivation may produce irregular shapes, so that this phase is very important.

During the cultivation period, constant and painstaking care must be paid to the oysters, to eliminate harmful planktons, seaweeds, crabs, octopi and other foreign bodies from the baskets; to regulate the temperature of the water—baskets are moved into warmer water in winter; to guard against typhoons, tempests. However, despite all the attention and protective steps, only 20 to 30 percent of the pearl oysters are fruitful. The matured oysters are removed from the water preferably in winter. The nucleus, now a pearl, is taken out along with the oyster from the shell, and then parted from the oyster by a centrifugal separator.

After the separation, the pearls are sorted and graded. Over 50 different colors of pearls are produced—different shades of pink, white, cream, yellow, silver, green blue and gold. Some will be drilled carefully to be made into women's adornments. A very skilful worker may complete not more than 25 necklaces a day, since the graduation and matching of the pearls demands strict precision in size, shape, lustre and color.

The bigger the pearl the better and more valuable it is. From the Japanese Oyster (Akoya), the best pearl is about 11mm in diameter and of 40 grains. The biggest pearl in the world weighs 337 grains and once belonged in Napoleon's collection of crown jewels. Since 1921, at the international tribunal in Paris, the Japanese cultured pearl has been judged to contain almost the same qualities as a natural pearl, and is therefore not entirely artificial.

Good quality cultured pearls have no flaws and are very hard. They can sustain hammerings, foot-crushing and scratches without leaving scars. Pearls worn for a long time and exposed to rain, sunlight and other elements may lose some of their color. In such cases, an expert jeweler can peel off one very thin coat from the pearl to bring back the iridescent lustre.

ECONOMIC REPORTS FROM THE PHILIPPINES

Land Sales

A reorganization plan of the Bureau of Lands has as its main objective alienable public lands, landed estates, and other government lands available for disposition. No less than 430,000 hectares of public land can be surveyed and subdivided each year for allocation to settlers. Some features of the plan are the organization of a budget and control division, strengthening of the field service, consolidation of all land disposition agencies of the bureau under the new land management division and consolidation of survey work and the verification and approval of plans covering public lands and private properties in the survey division.

Coconut Central Establishment

Benjamin Salvosa, board chairman of the Philippine Coconut Administration, announced a three-point policy regarding the establishment of small town coconut centrals. Three conditions prevail before a coconut central could be established, namely: 1. Coconut planters should organize into cooperative associations; 2. Private capital should be available for investment in town centrals needing PHILCOA financial and technical assistance; and 3. A donation of at least one hectare should be given by the town for the site of the central.

The PHILCOA provides the construction of 600 town centrals which would process six million coconuts a day. A complement of 5,000 dryers would be established in the barrios to tie-up the work of 600 coconut centrals for copra standardization and utilization of coconut by-products. When the 600 coconut town centrals and 5,000 dryers are established, sixteen million nuts will be processed daily into the best copra in the world.

Barter Goods

Alfredo Montelibano, economic coordinator, authorized government owned or controlled corporations to barter any of their exportable commodities or by-products for rice. Before any state firm considers a barter proposal, it should require the party offering to post a bond in cash or certified check equivalent to P50,000 for every 10,000 metric tons of rice as proof of a barter agreement. Another condition imposed is the posting of a performance bond, when the barter agreement is concluded, in an amount equivalent to 10 per cent of the total value of the barter agreement to guarantee compliance with its terms and conditions. The price as well as the quality and specifications of the rice should be acceptable to the National Rice and Corn Corporation.

Balanced Agriculture, Industry, Production, Jobs

Filemon C. Rodriguez, economic adviser to the President, stressed the need for the development of a balanced economy for the country, in agriculture and industry, and with an eye to both production and employment. The aim of economic planning, Rodriguez said, should be to develop and expand Philippine industry from its present low level, at the same time developing and modernizing agriculture. The life of the common man cannot be improved solely by doing things that directly affect him. Industrial projects of the government would have great impact on the economic conditions of the country by virtue of the magnitude of production. It takes real mass production projects to raise

the level of economy of the country substantially to create an impact on the lives of all the people in the Philippines. Rodriguez attributed the unemployment and shrinking of dollar reserves to the fact that production has not kept up with requirements. There are not enough enterprises to absorb the growing number of working people. The poor growth of production is due to the shortage of capital, the unusual attention given to investments that are not productive such as real estate, and the importation of non-essential luxury items which the country cannot really afford.

Rolling Display

The "1955 Rolling Exposition," a display of Philippine-made products on wheels housed in 13 third class coaches of the Manila Railroad Company, was jointly sponsored by the MRR and the Bureau of Commerce. The rolling exposition carries Philippine-made products of 44 exhibitors, consisting of coffee, wines, cigarettes, soft drinks, dry goods, silverware, books, coconut products, plastics, ramie, sewing machines, foodstuffs, radio, handicrafts and others.

\$10 Millions from I.M.F.

The International Monetary Fund announced that the Philippines purchased from it \$10,000,000, paying for the sum in Philippine pesos. The Philippines purchased the dollars to bolster its foreign exchange position, which had deteriorated since the beginning of 1954. It was the first time that the Philippines had taken advantage of its membership to purchase dollars from the fund. Philippine international transactions from January 1, 1954, to December 31, 1954, resulted in a decline in foreign exchange holdings from \$307 million to \$282 million. During the first four months of 1955 foreign exchange holdings in the Philippines declined \$24 million. The drop in Philippine holdings of foreign exchange resulted principally from a decline in exports, particularly sugar, because of lack of shipping at economical rates. Some steps were being taken to get more shipping at favorable rates and an improvement in the situation later this year was expected. The Philippines is required to repurchase its pesos with dollars within three years.

PAL New Visayas Route

Philippine Air Lines inaugurated a thrice-weekly Otter service in western Visayas with San Carlos, Negros Occidental, as the hub of operations. The flight leaves Cebu for San Carlos, then proceeds to Bacolod, returns to San Carlos, takes off for Dumaguete, back again to San Carlos, and then to Cebu for the end of the flight. These are short-haul flights and it is one of the purposes for which the Otters have been acquired. The Otter service was introduced in Mindanao to bolster PAL's domestic service, aimed at giving the benefits of fast air transportation to rural areas in the country and thereby contributing to their progress.

Investment Plan

The Government Service Insurance System will engage in an investment expansion program to aid the administration in solving the unemployment problem. GSIS will diversify its investments not only for the sake of stability but also in the hope of increasing its profits on investments. At present, P20 million of GSIS funds is invested in the People's Homesite and Housing Corporation; P33 million in

the Rehabilitation Finance Corporation; P50 million in government bonds; P20 million in real estate; and P46 million in loans to members, or a total of 169 million pesos invested. This 169-million peso investments would soon be increased to 200 million. The GSIS purchased recently P2 million worth of National Power Corporation bonds, and P1 million worth of RFC bonds. Another P2 million worth of RFC bonds will be purchased.

Trade with China

Senator Edmundo B. Cea, chairman of the senate committee on commerce and industry, urged private capitalists in the Philippines to trade with Communist China through Hongkong to balance the economy of the country. Cea said the Philippines should maintain trade with Red China. In 1947, China absorbed a tremendous volume of Philippine exports. This trade should be done not on a government-to-government basis but on a private level, pending recognition of the Red Chinese government in the United Nations. However, trade with China should only be done after the Philippines had exhausted the markets of the free world. Lumber, sugar and abaca, are probable export goods to China.

Soybean Plants

The possibility of growing three sturdy varieties of soybean under local soil and dry weather conditions was demonstrated in a test study concluded at the agronomy department of the Araneta Institute of Agriculture. The three varieties, MIS E. B. 28, Creol, and Headgreen, were planted in clay-loam soil previously planted to corn for three months. The hill-and-row method for planting corn was used. Distance was measured at 50 x 80 centimeters. Soybean, produced on a commercial scale, offered many possibilities for both agricultural and industrial purposes. It has a superior food value because of its high protein, mineral and vitamin B content. In the United States, soy flour is used in pancake and muffin mixes, and as fillers in bologna and other sausage products. As a feed for all classes of livestock, it is popular. Lecithin, a byproduct, is used in paints, textiles, lubrication, leather, soap and mineral oil industries. It is also a stabilizer in ethyl gasoline. Confectioners make use of it for keeping candies fresh. With creosote, it is used to preserve wood.

Exchange Cuts

The Central Bank has cut dollar allocations for Filipinos and Philippine residents travelling abroad, and for importation of non-essential consumer goods. The Central Bank released only one half of the dollar quotas for importers for the second semester of 1955. The total quotas for the semester may not be issued at all, as a measure to conserve dollars. Dollar economies in other categories of consumer goods and invisible items like donations and gifts are being pursued. The Central Bank watches the so-called "new industries" which have over-boosted their tax-free exchange and other privileges by over-valuing their imports of machineries, equipment, and raw materials. Certain operators of new industries did over-price their imported goods by connivance with exporters and suppliers abroad, and thus accumulate the difference abroad as their private "black market dollar" reserves.

Forest Income

Forestry collections reached an all-time high during the fiscal year 1954-55 when the Bureau of Forestry charges netted over P5 million in forest charges and reforestation fund. During the fiscal year ending June 30, 1955, P5,377,382 was collected by the bureau on 3,623,185 cubic meters

of lumber and logs manifested and invoiced by the bureau's fieldmen. The biggest cut was under the ordinary timber license which totaled P3,043,682 as forestry fees on 2,006,232 cubic meters of timber manifested and invoiced by the bureau. This was the biggest collection made so far in a single year. Records show that 3,380,890 cubic meters of logs were manifested and invoiced with corresponding forest charges and reforestation fund of P5,012,586 for the fiscal year 1953-54. For the year 1952-53 the collection was only P4,287,262 on 2,844,589 cubic meters of logs measured and invoiced. The amount of P3,079,198 representing forest charges will revert to the national treasury while only P1,398,184 representing reforestation fund will be retained by the bureau for its reforestation projects.

Railroad Revenue

The Manila Railroad Company reported that revenue rose by P653,555 and expenses dropped by P100,093 during the 11-month period ending May, as compared with the same period in the preceding fiscal year. The government firm made the biggest income during any single month of operations since 1945 last April when revenues reached P2,186,-000. There was an increase in revenue even during the off season months (July-December) last year amounting to P141,998, as compared with the same period in 1953. The on season months (January-May) this year netted a bigger increase P511,556. The MRR realized an income of P19,335,288 during the 11-month period under review, against P18,731,736 during the same period of the previous year. The moribund railroad firm, the country's lone rail system, showed an improvement in net losses. It lost P1,528,498 during the 11-month period, compared with P2,284,147, or an improvement of more than P750,000. Against losses of P4,066,227 for 1952-53, the improvement was over P2,538,000.

Trade Register

To help the Philippine commercial attaches in their trade promotion work abroad, the department of commerce and industry started compiling a directory of local exporters and importers. The department issued a circular letter to firms and businessmen engaged or interested in exporting Philippine goods abroad or importing foreign products, asking them to furnish the necessary information about their business. Firms desiring to be included in the list of Philippine importers and exporters for the use of the commercial attaches assigned in the various trade centers of the world, are urged to register, free of charge, with the Department of Commerce and Industry, Manila.

Fertilizer Plant

Dr. Eusebio Garcia, president of the Chemical Industries of the Philippines, Inc., announced that a new fertilizer plant which he was putting up in Malabon, Rizal, would start operations within two months. Dr. Garcia, who owns one of the biggest fertilizer factories in Manila, said machinery for the new plant had arrived from Japan and would be installed soon. The new factory has a capital investment of P700,000. Rock phosphate available locally would be used as raw material for the production of calcium super-phosphate, a special kind of fertilizer for rice and corn.

Ambuklao Project in Benguet

Development of the Ambuklao hydroelectric project at Bokod, Benguet, as a major tourist attraction in the country, is predicted by businessmen. The center of attraction for tourists will be the rockfill dam, which is 128 meters high, 452 meters long at the crest and with a base width of 444 meters at the maximum section. This will impound the

water of the Agno River, creating a huge man-made lake. On top of the rock-fill dam is a bridge that spans the Agno River and leads to Bokod, Benguet, through the new road. Other attractions are the diversion tunnels, a tailrace tunnel five meters in diameter and 2.2 kilometers long, a 4.5 meters wide and 5.5 meters high with a downward 14 per cent grade spiral access road tunnel leading to the underground powerhouse, 12 meters wide, 70 meters long and 19 meters high, housing three horizontal turbines coupled to three generators, each with a capacity of 25,000 kilowatts. There are also eight tainter spillway gates 12.5 meters width by 12.5 meters high. But the impounded water in the dam reservoir will top off all attractions in the project. A plan was previously proposed to convert the impounded water into a fishing lake, which could draw the attention of sportsmen and fishing enthusiasts, when it becomes a game refuge.

Toilet Soap Imports

The banning of the importation of toilet soap in view of the fact that local production is sufficient to supply the needs of the country has been demanded. The need to prune the dollar allocations for non-essential items is obvious, especially at this time when foreign exchange reserves of the country have reached a low level. Four big local companies are now producing several brands of toilet soap which have found popular acceptance among consumers, and yet in 1954, the country imported \$54,040 worth of toilet soap.

Textile Import

The Central Bank has frozen all unused dollar quotas for the importation of textiles, including those for producers of garments. At least \$10 million of unopened letters of credit were automatically reverted to the dollar reserve pool and \$17 million allotted for textiles next quarter will likewise not be used. There are textiles in stock to last the country two years without importing another yard.

Tax Collections

An increase of P29,984,321 in the gross internal revenue collections for the fiscal year 1954-55 ending on June 30, 1955, was reported. This increase was the biggest ever noted in annual increases in the history of tax collection in the Philippines. The increase was made possible through a system of tax collection campaign. The 1954-1955 gross internal revenue collection was P492,563,843, as compared to P462,579,522 for 1953-54. Actual receipts for 1954-1955 exceeded the revised budget estimates for the same fiscal year by P10,247,762. The revised budget estimate for 1954-1955 was P366,830,000. Actual receipts already collected for the same fiscal year were P377,077,762.

New Notes in Circulation

The Central Bank will soon place in circulation notes of the 50-, 20-, 10-, 5-, 2- and 1-peso denominations which bear the signatures of President Magsaysay and Governor Miguel Cuaderno. An entirely new note which will be added to the current issues is the 50-centavo denomination.

Stanvac Oil Search

The Standard-Vacuum Oil Co. cleared a major hurdle in its efforts to search for crude petroleum in the Philippines. The Philippine Government approved a proposed method of settling the problem arising from the overlapping applications for oil exploration rights in the Cagayan Valley of northeast Luzon field by Stanvac and the Philippine Oil Development Co. The settlement is expected to lead to the granting of exploration concessions and to an intensive search for oil in the area. The two companies are working

out a cross-option arrangement involving two of the three sections under which each will have the option of acquiring one-third of the production obtained by the other's section. Podco will have exclusive development and production rights in the third section. Based on this formula, and the anticipated granting of all other areas now under application, Stanvac is looking towards eventually exploring 380,000 hectares (over 900,000 acres) in the Philippines. Stanvac plans to build a 33 million petroleum refinery in the islands in connection with its exploration program. Such a refinery would constitute the largest private foreign investment ever made in the islands. The refinery would be somewhat larger than the one recently constructed there by the California Texas Oil Co.

Baguio Rural Bank

The Rural Bank of Baguio, the first of its kind in Mt. Province and 36th in the country, was inaugurated. The new bank, which is the fourth in the northernmost region of Luzon, has an authorized capital of P500,000. Area of operations would include Baguio City and its environs as well as some nearby towns of La Union, like Naguilian, Agoo and Aringay. Aside from agricultural projects, the bank will also serve the woodcarvers of Mt. Province, Igorot weavers, silversmiths and other home industries.

Alien Loans to Filipinos

The Chamber of Commerce of the Philippines declared itself in favor of foreign investments in the country through loans in enterprises established, managed and operated by Filipino businessmen. This policy should be established in welcoming foreign investments in the country. A policy of laying open the wide exploitation of resources and the management of domestic business enterprises by foreign capitalists under the guise of foreign investments will only result in perpetuating and making worse the old colonial patterns of the economy. The chamber would therefore favor measures which would encourage foreign loans through local banks and financial institutions which Filipino industrialists might borrow for their purpose.

U.S. Rural Plans

Senator Tomas Cabili reported United States was contemplating to make the Philippines focal point of a huge rural reconstruction development program in Asia. US leaders were favorably disposed to grant an unlimited amount of monetary assistance to support President Magsaysay's rural reconstruction program in order that this plan may be carried out. The intention of US leaders was to convert this country into a demonstration nation for rural reconstruction under the principle of building a democracy from the grass roots level for all other Asian nations to follow. If a proper approach were made and if President Magsaysay himself were to make the request, Washington would be willing to grant an initial sum of \$40 million instead of the \$3 million originally appropriated by Congress for the program.

Tree Planting

If present plans of the National Resettlement and Rehabilitation Administration for an extensive program of mass planting of fruit trees throughout its 18 settlement projects do not miscarry the country's forest of economic trees will be increased by 10-million fruit trees this fiscal year. The program involves the planting of 10,696,200 trees worth at an initial estimated value of about half a million pesos. These trees will be planted in 28,384 hectares of land to be scattered in the different settlement projects of the NARRA. This figure is based on 4 hectares to be planted

to permanent fruit trees by each NARRA settler farmer. The breakdown of the NARRA's plan includes the planting of 1,878,240 coconut trees on 12,040 hectares of land; 5,966,000 coffee plants on 5,720 hectares; 808,000 cacao trees on 1,760 hectares; 39,360 grafted mango trees on 984 hectares; 200,000 African oil palms on 2,000 hectares; 1,385,000 rubber trees on 5,000 hectares; and 65,600 other economic fruit trees (mangosteen, durian and pili trees) on 880 hectares.

Ramie Industry

President Magsaysay took positive steps to push through the development of the ramie industry in the Philippines. In directives issued to National Development Company the President: 1. Authorized to borrow P800,000 from the Rehabilitation Finance Corporation for the purchase and installation of a ramie degumming plant. 2. Ordered the NDC to take steps toward acquisition of spinning mills for ramie from Japan.

The President said that all along he had thought that nobody in this country knew the process of ramie degumming, but he was informed that with the establishment of the degumming plant and the acquisition of the spinning mills the NDC could manufacture, aside from the ordinary ramie textiles, strong threads for fishing nets for the local fishing industry and material for mosquito nets and other needed textile materials for the use of the army. With regard to the acquisition of the spinning mills, it will be possible to get the mills from Japan to be charged later against the reparations payment from that country.

Fishing Industry

Agriculture Secretary Salvador Araneta recommended the organization of cooperative and financing associations to boost the country's fishing industry. Such a step would institute an effective marketing system for the country's multi-million-peso fishing industry. Scant attention is given by the government to one of the nation's leading industries especially in matters of financing and other development incentives. Despite potential aquatic resources, the country does not produce enough fish. The reasons are: lack of proper organization and of more liberal form of financing. The ACCFA could substantially aid the industry through the establishment of cooperatives.

Plywood Standardization

The Department of Commerce and Industry proposed rules on the standardization and inspection of Philippine plywood both for export and for local consumption. The export of this product considerably increased from 225,966 sq. ft. valued at P118,478 in 1950 to 1,649,196 sq. ft. worth P400,759 last year. The yearly average exports of plywood amounting to 535,836 sq. ft. worth P154,627 and the increasing demand for it abroad have prompted the proposed standardization of this commodity in order to: 1. Improve its quality, and remedy its defects; 2. Promote development of new market for it; 3. Protect the consumers and afford greater confidence and goodwill to the manufacturers or distributors; 4. Forestall unfair competition; and 5. Minimize litigations and other acts tending to disorganize industry.

Manufacture of Printing Ink, Supplies

The A. C. Ransom Philippine Corporation has geared its resources in the manufacture of printing ink, litho supplies and compounds and allied products used in the graphic arts industry, aside from carbon paper and typewriter ribbons. The firm is assured of its sources of basic raw materials under the arrangement with the Sun Chemical Cor-

poration of New York. The numerous subsidiaries of the Sun Chemical Corporation have enabled this manufacturer to supply almost all conceivable demands pertaining to the graphic arts trade, construction industry and other technical lines. The volume of imports in the Philippines on printing inks, litho supplies and chemicals has convinced the Sun Chemical of the need for putting up a plant in the Philippines. The Ransom Ink Factory will operate as an independent unit and not as an extension of the Sun Chemical Corporation in the Philippines. Its commitment is to secure the raw materials and other ingredients from the former. All manufactures and other products produced out of this arrangement would be duly patented and put on the market under Sun Chemical's standard labels.

Japanese Motor Car Assembly Plant

The Isuzu Motor Company of Tokyo would study the possibility of establishing a factory for assembling motor cars and diesel engines in Manila. Plans are discussed with a local engineering firm and with government officials, including members of the Japanese mission. Isuzu Motors, manufacturers of gasoline and diesel engines, is one of the most progressive firms in Japan.

Labor Policy

Bases for the formulation of government policies to alleviate the unemployment situation were laid by members of the employment advisory council of the department of labor. The points adopted as guiding principles in the drafting of employment policies were: 1. That sound solution of the unemployment problem is the creation of solid job opportunities by industrial expansion; 2. That there is a need for more technologically trained men to encourage investors to plunge into industrial ventures heretofore restricted by lack of an adequate number of skilled labor. Another reason for the timidity of capital in the Philippines which may not be justified, in most cases, may be traced to the apprehension of employers that the average output of local labor does not measure up to the minimum wage the law requires them to pay. Availability of trained labor made possible by an apprenticeship training program and by other similar means would strengthen the faith of investors in the efficiency of the workers. 3. To establish employment exchanges. 4. That the encouragement of overseas employment would, to a limited extent, help ease unemployment. 5. The department of labor unassisted by the other entities of the government, in an atmosphere of indifference of private enterprises, will make little headway in solving unemployment.

Progress

Filemon Rodriguez, chairman of the National Economic Council, outlined the accomplishments achieved so far during four years of economic development under the auspices of the Philippine Council for U.S. Aid (now merged with the N.E.C.) and the U.S. Foreign Operations Administration. As a result of the joint United States-Philippine program, production of rice, corn, root crops, fruits and vegetables rose to a little more than sufficiency levels. Livestock and poultry production increased by 23.2 percent last year compared to 1951. Complementary projects were undertaken like rural credit, public land subdivision, vocational agricultural education, industrial development, public works, public health, public administration which includes technical training, and a more extensive education and information service. Several projects such as the coal resources and strategic minerals survey started in 1951, the general commodities program, establishment of the industrial development center, and the proposed Marikina multi-purpose power project followed. Road construction: the building of four major

PHILIPPINE FOREIGN TRADE

Philippine foreign trade figures for the first four months of 1955, totalled P626.6 million, up P25.4 million from the level recorded during the like period a year ago. At this expanded level, imports of the country increased sharply to P357.9 million, exceeding that of the same period in 1954 by approximately P52.8 million. On the other hand, the current level of Philippine exports, valued at P268.7 million, decreased by P27.4 million from the total recorded a year ago. The trade loss of P89.2 million suffered from January to April this year was the heaviest thus far incurred. In 1953, during the same period, the trade deficit amounted to only P26.8 million, while the unfavorable balance for the corresponding period last year was only P9.0 million.

Foreign trade transactions for April amounted to P168.3 million, or an increase of P15.1 million from the month-ago transactions. Valued at P161.1 million, imports and exports of the country for the comparable month in 1954 were slightly lower than the total for the month in review. Overall all trade deficit incurred during April decreased to a minimum amount of P11.7 million, improving significantly by P21.5 million from the unfavorable balance recorded in January this year. This month's balance of trade was, however, a complete reversal from the trade surplus of P0.5 million realized a year ago.

Philippine imports expanded nominally from March to P90.0 million in April. This prevailing level went beyond the year-ago total by \$9.7 million but registered a net decrease of P6.5 million from the figure obtaining at the start of the current year.

Export values for the month under review reached a peak for the year at P78.3 million. With this favorable development, export proceeds for March stood at P14.8 million below the current month's total. Likewise, the level of exports for January was P15.0 million less than this month's figure. Although on the uptrend, exports for the month in review failed to reach the year-ago total by approximately P2.5 million.

International Reserves

Philippine international reserves featured successive declines during the first six months of the current year. Notwithstanding the improvement noted in June, monthly balances since January were lower than those of any comparable period since 1949. The opening level of \$266.65 million in January, although \$44.42 million below that of September last year when reserves began to fall, still represents the highest total attained during the period under review. Hopes for favorable developments grew dim as the figure for May receded further to \$239.88 million, an addi-

roads in Mindanao. Health and education: fully equipped rural health units were established throughout the islands, effective control of malaria, construction of artesian wells and improvement of waterworks systems; school health program, rehabilitation of provincial hospitals, establishment of chest centers, and educational campaign on sanitation and nutrition. Furthermore: improvement in the laboratory and instructional facilities of public agricultural schools, industrial arts and trade schools and technical schools in the state-owned University of the Philippines.

tional loss of \$26.77 million from January. In June, total reserves expanded to \$248.03 million, or a recovery of approximately \$8.15 million from May. This month's level, however, was still \$18.62 million below January and \$49.96 million less than June last year.

From a depressed level of \$197.11 million in January, total Central Bank reserves contracted continuously to reach an ebb in five years at \$188.15 million in April. Favorable changes during the latter part of the semester, reflected by an upturn in the Philippines-Japan trade balances, brought relief to this situation. By mid-year, Central Bank reserves took an upswing to \$195.55 million, or an increment of \$4.88 million from May. This June total, however, still lagged behind that of January this year and the comparable month last year by \$1.56 million and \$50.87 million, respectively. From the totals recorded the month previous, June balances for Gold (\$10.97 million) and the Philippine-Japan Open Account (\$13.70 million) accounted for a net increment of \$2.41 million. A new account captioned "Special Accounts with U.S. Banks" appeared in June with a balance of \$3.69 million in favor of the Philippines. Despite these favorable trends, Demand Deposits (\$13.92 million) declined by \$1.11 million from May. Foreign Currency (\$0.53 million) and Accrued Interest (\$0.25 million) for June likewise registered a combined decrement of \$0.11 million from the previous month's respective levels.

Net monthly balances of foreign exchange holdings of the banking system fluctuated irregularly during the first six months of the year. The highest level, which aggregated to \$71.80 million, was attained in February while the lowest point of \$49.21 million was noted in May. Net foreign holdings of other banks rose by \$3.27 million from May, with the overall total for June recovering to \$52.48 million. At this point, the level obtaining a year ago was lower by \$0.91 million, while that of January was \$17.06 million above the current month's figure. From a peak level of \$84.95 million in February, which topped the past month's total by \$5.14 million, gross foreign assets of other banks receded to \$66.50 million in June. This closing level for the first half of the year revealed an expansion of \$2.33 million from May but sustained a loss of \$13.31 million from January this year. A year ago during the comparable month, gross foreign assets of other banks stood at \$63.73 million, or \$2.77 million below this month's total.

Foreign exchange liabilities of other banks started at \$10.27 million in January. Two months thereafter, the total increased further by \$3.43 million. While the April level contracted to \$11.70 million, foreign exchange liabilities for May took an upshot to \$14.96 million, the highest level recorded since August, 1953. By mid-year, however, foreign exchange liabilities crept down to \$14.02 million, off \$0.94 million from May but \$3.75 million above January. This month's figure exceeded the total prevailing a year ago by \$1.86 million. Due to Banks Abroad, amounting to \$6.30 million in June, contracted by \$2.63 million from the past month's total. On the other hand, Proceeds of Import Bills Pending Remittance to Foreign Banks took an upsurge to \$0.78 million, up \$0.40 million from May. Drafts Issued (Outstanding) and other foreign liabilities totalled \$6.94 million in June, or an increment of \$1.29 million from the preceding month's level.

Exchange Receipts and Disbursements

Foreign exchange transactions of the banking system resulted in a net disbursement of \$46.68 million during the first six months of 1955, in contrast to a net receipt of \$7.56 million realized during the identical period a year ago. Monthly performances since January this year showed mounting deficits, especially during April and May, when net disbursements incurred amounted to \$10.12 million and \$10.52 million, respectively. June transactions, although still in the red, improved considerably as the excess of foreign exchange disbursements over receipts dropped to \$4.72 million. This meant a slash of \$4.66 million from the deficit incurred in January this year but a fractional increase of \$0.62 million from that of June last year.

Total foreign exchange receipts tapered off to \$265.67 million from January to June this year for a decline of \$6.06 million from receipts for the corresponding period in 1954. Generally, month-end balances were on the uptrend. Moving up moderately from \$38.59 million in January, overall dollar receipts of other banks reached \$45.39 million in March. The slight decrease encountered in April was more than recovered when May receipts expanded to a peak for the period at \$48.69 million. In June, the aggregate foreign exchange receipts of other banks (\$47.54 million) declined by \$1.15 million from May but exceeded that of the same month last year by \$5.05 million. During the first half of the year, total receipts from visible exports totalled \$178.11 million, as against \$188.10 million realized during the same period last year. The January total of \$24.35 million was the lowest point recorded thus far, while that of May (\$33.10 million) was the peak attained since the start of the current year. June receipts from visible exports, amounting to \$31.49 million, dropped by \$1.61 million from May but expanded over those of January this year and June last year by \$7.14 million and \$2.68 million, respectively. Foreign exchange receipts from invisible exports from January to June aggregated to \$87.56 million, while those of the corresponding period last year totalled \$83.63 million only. On a consistent downtrend since January, invisible exports receipts levelled off to \$13.63 in April. Gains made during the last two months of the period brought the level up to \$16.05 million in June, or \$1.81 million above the January figure. During the same month last year, total receipts from invisible exports stood at \$2.37 million below the current month's level.

Overall foreign exchange disbursements for the first half of the year increased significantly to \$312.35 million, up by \$48.18 million from those of the same period last year. Monthly dollar disbursements showed a tendency to rise during the first quarter of the year. In May, payments for both visible and invisible imports expanded further to \$59.21 million, even surpassing the peak total of \$58.50 million recorded in October, 1954. At the close of the first semester, total disbursements contracted to \$52.26 million. This level was off \$6.95 million from May but was \$5.67 million above the year-ago total of \$46.59 million. Dollar payments for visible imports for the six months period totalled \$279.04 million, or an increase of approximately \$47.94 million from the comparable period last year. Merchandise imports followed a rugged upward movement. From a slight dip noted in April, payments for visible imports climbed to \$53.77 million in May. At the close of June, disbursements declined to \$46.19 million, or \$7.58 million off for the previous month's total but \$4.07 million above the January total of \$42.12 million. Dollar payments for invisible imports hit a peak for the period at \$61.18 million in March. Developments during the last three months brought the level to \$6.07 million in June. This was \$0.68 million less than the total prevailing in June last year, but was \$1.54 million above that of January this year.

DJAKARTA, THE CAPITAL OF INDONESIA

In the eyes of any continental people, the island of Java is so narrow you could almost throw a stone across, and only so long that you feel you could walk from end to end in a couple of days. In fact, it is somewhere about half the size of England, Scotland and Wales together, and so it is a small island. Small—yet big. No country has a more densely settled population than Java; the average is about 850 persons per square mile for the whole island, while the really thickly populated parts are inhabited by more than an almost unbelievable 1,000 persons per square mile. That's one of the factors which make the island "big"; but there is another—the fact of Java's prominent position in the archipelago.

Java's economic and political importance is very old, and has given impetus to an increasing population, which in turn has heightened the island's economic and political potential. Java is a long island in proportion to its breadth, with mountain chains more or less in the centre, alluvial plains to north and south running lengthwise, and many rivers crossing them. Most of the mountain peaks are volcanic, and many are active, with periodic eruptions of greater or less violence. Although there are one or two astonishingly arid areas, Java's tropical position, its heavy, but not too heavy, rainfall, and its volcanic soil together ensure a luxuriant vegetation and mineral deposits of value. The climate is equable, for, although the sun is very hot at midday, temperatures are lower in the shade, and it is cool enough mornings and evenings for a long-sleeved jacket to be comfortable in areas along the coastal stretches, and a necessity on the mountains. The temperature in Djakarta has never risen above 96 degrees, nor fallen below 66, in all the eighty odd years that regular recordings have been made. Humidity is high, particularly during the half-year's dry season, but the downpours during the wet quickly relieve the tension—until nature builds it up again in preparation for tomorrow's storm. In most areas these electrical storms usually last for only an hour or so, and it is quite the accepted practice of the weather gods to send a storm at about the same hour of every day during the rainy season, and to cut off supplies sharp during the dry.

On Java lives some seventy percent of Indonesia's total population, amounting to over 50 million people. These people speak three languages, Javanese, Sundanese, and Madurese, which express the different cultural patterns of the three groups. They are not, however, isolated in culture from one another, and these distinctions are now rapidly fading at an accelerated pace.

Java is probably the home of one of the earliest races of mankind, whose 40,000 odd year old remains have been found in sufficient quantity to assure scientists that these creatures were indigenous to the area. But it is not contended that these primitive men are the ancestors of modern Indonesians, who have originated in South East Asia, coming down the Malay peninsula and spreading over the archipelago in successive waves of immigration. Later came the Hindus, and later still Mohammedanism. Mixed ancestry and mixed cultures have left behind a number of old customs and traditions with a whiff of the primitive in their aroma. There are the Hindu-Javanese customs and traditions, and the Mohammedan ones. Lastly has come the influence of western civilization. There are very many people who think in terms of politics, economics, international relations, the modern graphic arts, music and literature, whose furniture and houses show the influences of streamlining and hygienic

considerations, and who live a life differing very little from that of people in the western world.

In the sixteenth century, before the Dutch came, on the site of the present Djakarta stood the harbour town of Sunda Kelapa, the chief port for the Sundanese Kingdom of Padjadjaran. Here trading was conducted with the Portuguese, and then with the Dutch. This of course was the day and age of piracy on the high seas, of smuggling, of buccaneering, and of the great spice trade, to win which the Portuguese, Dutch and British all came to this part of the globe. They were all at loggerheads with one another, and, being what they were, they didn't mind employing extremely shady tricks, and to seek the help of the Indonesians in these private quarrels was one of their first thoughts. Things were unsettled in Indonesia at that time, and getting involved in such quarrels as these was the final straw that brought about the overthrow of some principalities, and was the cause of the collapse of others. In time, Sunda Kelapa was taken into the possession of the Sultan of Bantam, in whose territories the Dutch had first landed at the end of the sixteenth century. The Sultan changed the name to Djajakerta, which means something like "Glorious Fortress", and eventually the Dutch established a trading post there. The Dutch called this town "Jakastra", abbreviating and mispronouncing it all at once.

When the Sultan of Bantam found out that the Dutch were turning their trading post into a fortress of their own he protested and called on the British for help. But the Dutch first burnt down the British trading post, then sallied out from their fortress, conquered Djajakerta, and razed it to the ground. In the middle of this process, the Dutch found that their fortress was not yet named, so they christened it "Batavia", after some old Low Countries state. The site of Djajakerta was taken possession of for the Dutch East India Company, and a new township was built, protected by a surrounding wall and a fortress on the shore.

For many years afterwards, the inhabitants did move outside these walls, for fear of attack; even food was brought in from outside by arrangement with the Sultan of Mataram. But the township grew as the result of more trading; living was both luxurious and difficult. The Company's employees of the period received poor wages, and they resorted to extortion and illicit trading on their own account. By such means men became rich.

At first Batavia was populated by men alone but by the beginning of the eighteenth century the people, estimated never to exceed 10,000 during the whole of the previous century, included sufficient European women to excuse the display of unsuitable finery in the unsuitable residence of the Company's Governor. "Unsuitable" because European clothing was considered necessary, and the houses were all patterned on the same architecture that was necessary for the cold climate of the Netherlands. As in other young colonies, everything from the "mother country" was copied, right down to the canals—which were a good idea in themselves.

The Chinese of the neighbourhood, then about a thousand, also lived inside the walled township, because it was they who were the tradesmen, the tailors and carpenters. It was only in 1740 that the Chinese were segregated into one quarter of the town, and had been classed as a separate group of the population.

Outside the walls of Batavia, the Indonesians lived as best they might, for the wars had devastated the countryside, and the tropical jungle was creeping around the tiny Dutch settlement. These Indonesians were a mixed group from many parts of the archipelago, with the notable exception of the Javanese, whom the Dutch wouldn't allow near the walls for fear of attack. By the end of the seventeenth century, these Indonesians numbered a few thousands who were already becoming a homogeneous group, distinct from the Javanese to the east and the Sundanese to the west, and speaking a common language, the Malay of the peninsula, just as the population around Djakarta speaks is today.

During the seventeenth century, Batavia was the centre of trade with the whole Orient; goods from Persia, India, Japan, and from the rest of Indonesia filled its warehouses and its ships. But for almost all of the eighteenth century, Batavia's power declined. In 1732 a great malarial epidemic broke out, which the doctors were powerless to stop. The town became a real pest hole, and many of the inhabitants fled to the clean air of the countryside; it was from this time that the governors-general removed their residence from the old coastal fortress, ultimately settling in Bogor. A second tragedy followed in 1740 with the massacre of several thousands of the Chinese, when the Dutch authorities were attempting to clear out unwanted Chinese immigrants.

Slowly, the Dutch Trading Company acquired more territories over which to exercise control. Eventually, the Government of the new Batavian Republic took over the reins of control. After the French revolution, the words "liberty, equality, fraternity," were much in the air, and the new government of Holland had taken them as its principles. There was some talk of them being applied to Indonesia, but, after consultation with the authorities in Batavia, the governmental Committee for East Indian Affairs admitted that "the doctrines of liberty and equality . . . cannot be transferred nor applied to the East Indian possessions of the State". That went also for the Dutch citizens who were employees of the Company, and not even slavery was to be abolished! The wars of this period between Britain and France had also involved the Netherlands and made communication very difficult, so that new markets had to be found for Indonesian products. There followed a boom period and Batavia regained the ascendancy. But the Napoleonic wars also had the consequence that Britain took over in Indonesia, and so it came about that Raffles was installed as Governor. Before his short rule came to an end, Raffles had wrought a number of administrative changes. Indonesia was returned to the Netherlands in 1824.

In all this long period, many changes had come to Batavia. Its population had increased and had become more heterogeneous with the influx of population from the unsettled sultanates, from nearby Malaya, and with the assimilation of some British and Portuguese merchants. The area of the town had extended with the flight of the people before the malarial epidemic; new suburbs had sprung up, only to be swallowed up in the city again as its boundaries increased. A big factor in the growth of the city at this time, and in the extension of Indonesian products, was the beginning of the cultivation of imported plants, such as coffee, and quinine (rubber came later). Although this had proved embarrassing to the Company at the time, it eventually reaped huge profits, and increased Indonesia's productive potential. The attitude of the Dutch East India Company was not different from that of other similar concerns, government or private, of its time. The early story of Batavia is little different from similar stories of other centres of colonial empires arising during the same period.

Djakarta's boundaries after the last war were extended; there is not only an upper town adjoining the lower town but new suburbs are being swallowed up in the metropolitan area, and others are being added outside it. What was formerly a residential suburb before the war has become part of the city proper; a new residential area is being opened up in Tjideng, the Menteng area has lost its air of being far from the madding crowd, and a new satellite town has been built at Kebajoran. The old harbour long ago fell into disuse when a modern harbour was built at Tandjung Priok. The port is connected with the city by a wide road and a double rail track. Tandjung Priok has fully-equipped wharves and warehouses whose ownership is divided between the port authority and private companies. There are three inner harbours, the first for vessels drawing up to 27 feet, the second for those of 30 feet and the third for those of 40 feet, with an area of more than 6 million square feet of anchorage. Two long stone breakwaters form an outer harbour in protection of the inner wharves, but leave a 525 foot entrance. Outside these there is a harbour for local fishing vessels, whilst to the west there is a flying-boat base. Half-way between the harbour and the city proper is Kemajoran airport, one of the major airports of the world.

Djakarta is the centre of Indonesia's post, telegraph and telephone system, the centre for the various transport systems by sea, by road, and by rail.

The city has many first-class hotels, cinemas, and restaurants; a small zoo, and an aquarium. Djakarta's Museum has been well-known for many years, and contains records and relics of Indonesia's ancient cultures, as well as an up-to-date reference library. The Balai Pustaka, a governmental institute, runs both a reference and lending library, and there is another public lending library, also a government concern. There are innumerable book stores, printing and publishing houses, and second-hand book booths in all quarters of the city. The Meteorological Bureau was built in 1858, and is now one of the oldest scientific institutes in South East Asia. Djakarta Radio, the headquarters of "Radio Republik Indonesia", has the most powerful transmitting and receiving apparatus in South East Asia, and broadcasts on its daily 9-hour foreign service in 7 languages.

There are many elementary and high schools in Djakarta, and there are several university faculties, including those of medicine and law, and a teachers' college. The biggest of the city's hospitals is the Central Hospital, which comes under the jurisdiction of the Ministry of Health. There are four main Indonesian papers published daily in Djakarta in the Indonesian language; two Chinese dailies written in Indonesia, and three dailies published in Dutch, and two in English; there are also a number of weeklies, and many other periodicals.

Djakarta served as a centre of independence during the Japanese regime. In Djakarta during the Japanese occupation, Dr. Sukarno enunciated the "Pantja Sila", the five principles upon which the Indonesian State is based. On August 17th, 1945, Indonesia was proclaimed independent from the garden of Dr. Sukarno's home at Pegangsaan Tinur in Djakarta. When sovereignty was formally transferred to Indonesia, on December 27th, 1949, the ceremony in Indonesia took place in Djakarta, and on the following day, by special decree, the city took back its old name again, abbreviated and modernised to Djakarta, a form in use pre-war amongst Indonesians, and the acknowledged name of the city during the period of Japanese occupation. Since that time also, Djakarta has seen much history being written, and has seen many changes in old associations of things with places. The former residence of the Dutch Governors General has become the Presidency; the office of the former

HONGKONG NOTES

INDUSTRIAL SITES AT KUN TONG

Factory sites in the new industrial area now being reclaimed at Kun Tong, on the eastern shores of Kowloon Bay, will be sold by auction to approved applicants at an upset price of about \$5 per square foot. Government's policy is to ensure that the cost of land is not so high as to handicap the development of industry while at the same time to prevent speculation in land. Individual sites will be restricted to specific industries or groups of industries on the basis of zones arranged to meet the requirements of planning and the needs of industry, and bidding will be confined to those persons who have been able to establish the bona fides of their intention to set up and operate a factory. Leases will be for 21 years renewable at a revised Crown Rent on terms to be agreed and premia will be payable either in a lump sum or by annual instalments over 21 years at five per cent interest. An initial 17½ acres of the reclamation will become available early next year; an additional 26 acres will be ready later in the year and a further 15½ acres by July, 1957 making the total of some 59 acres.

Commenting on the scheme, Mr. U Tat-chee, Hon. President of the Chinese Manufacturers' Union, stated that the 59 acres would hardly be sufficient to meet the immediate needs of new factories, let alone those of existing factories wishing to expand. He further pointed out that this total area of 59 acres could accommodate only five factories of the size of The Amoy Canning Factory or six factories of the size of The Hongkong Spinning Mills. It would, however, be sufficient for about 200 sites for factories of small size. Over 80 per cent of the factory owners at present in the Colony do not own the sites where their factories are established, and they are unwilling to expand until they have found their own sites. Many big schemes to establish modern factories for the production of new lines have been held up because of the lack of suitable industrial land. Mr. U Tat-chee considers that in this first 59 acres of new land priority should be given to the building of flatted factories designed to offer manufacturing space under one roof for a number of small separate concerns which are now occupying about 2,360 floors in 1,991 tenement buildings. He challenged that if Government could not take up the responsibility for the building of the proposed flatted factories, the Chinese Manufacturers' Union would help to materialize the project provided that Government would make available the land at lower cost.

NORTH POINT DEVELOPMENT SCHEME

The Town Planning Board has prepared a draft layout plan for the long-term development of North Point, a district which has experienced very rapid growth since the war. The aim of the plan is to determine the use of land to best advantage. Certain sections are set aside mainly

Dutch East Indies Council has become the office of the Prime Minister; the building housing the former so-called People's Council now houses the Ministry of Foreign Affairs; the present Parliament House was once a club for officers of the Dutch army in Indonesia; and Republican Ministries occupy the buildings of former Dutch government departments.

The city today has a population in excess of three millions and thus is the largest city in Southeast Asia. It is truly the centre of Indonesia. Djakarta is expanding every month. Overcrowding is almost everywhere observed. In spite of economic difficulties the city is forging ahead. Construction is going on all over the vast area of Djakarta Raya. Further increase in population of this great city must be expected.

for residential building, others mainly for industrial purposes while provision is made for reserves for Government and public purposes, such as parks, recreation grounds and open spaces. Three main belts are envisaged on the plan; the first area is to the north of King's Road, the second to the south of King's Road and the third from Tin Hau Temple Road extending uphill to Braemar Reservoir and as far as Sir Cecil's Ride. The first belt covers the existing built-up area of factories and godowns as well as vacant land on the new reclamation. A large proportion of this area is restricted to storage, light industry and intermediate trades. Within this area is located the low-cost housing project of the Housing Authority at Java Road. The second belt incorporates both residential building and such light industries as are unlikely to cause nuisance to adjoining residences through undue noise, smoke fumes and the like. As the whole area is readily accessible by public transport, it is considered suitable for low-cost housing projects and such institutions as schools and hospitals. The third belt is a hillside area which, with the provision of access roads, will be suitable for individual houses and private housing schemes. Although King's Road remains the main artery for internal and through traffic, Electric Road and Java Road may be linked to provide an alternative thoroughfare. Provision is made for the possible extension of Tin Hau Temple Road to above where the Tsat Tse Mui Quarry now stands, with a possible future extension to Quarry Bay. The road could be made wide enough for use by buses. A new road would join the Tin Hau Temple Road extension to Sir Cecil's Ride. At its upper end this road might connect via a section of Sir Cecil's Ride with the road to the proposed new Government quarry at Mount Butler and thence to Tai Hang Road near Jardine's Lookout. No sea-front road is suggested. A ferry pier fronting the Java Road housing project would connect North Point by ferry services with Shaukiwan, Cha Kwo Ling and Hung Hom. In addition two ordinary pier sites would be provided for on the reclamation. The present Government quarry in the area will be closed down when the new quarry at Mount Butler is in full production. The access road to the new quarry, if extended about a quarter of a mile along Sir Cecil's Ride, would join the proposed link to Tin Hau Temple Road.

WAH YAN COLLEGE

The new building of Wah Yan College on Mount Parish was officially opened by the Governor of Hongkong last week. The new 3-storey building is situated on Queen's Road East, and has 24 classrooms with accommodation for 900 students. Government had not only granted the site for the building but also contributed generously towards the cost of the building. The old buildings of the College on Robinson Road will be used as a primary school.

URBAN COUNCIL MEMBERSHIP

The Urban Council last week resolved to recommend to the Governor that the number of Nominated Members be increased from 6 to 8 and the number of Elected Members from 4 to 8. The enlargement of the Council is justified by the greatly increased volume of work to be done. At the present, the Council's 16 members have been organised into 36 select committees to deal with a comprehensive list of subjects. All the Councillors, unpaid, are busy men in their private employment; but they have been giving generously their time and effort to serve the public. A leading local daily commented that to pay them would not solve the problem, "but to increase their numbers will spread the labour and reassure those who hesitate to accept office; it will also educate more citizens in the intricacies and the responsibilities of community service."

FINANCE & COMMERCE

HONGKONG EXCHANGE
MARKETS

For the week of September 26 to October 1, 1955

	U.S.\$			
	T.T. High	T.T. Low	Notes High	Notes Low
Sept. 26	\$583½	583½	578%	577%
27	583½	583	577%	577%
28	583½	583½	578%	577%
29	583½	583½	579%	578%
30		H O L I D A Y		
Oct. 1	584½	583½	579%	578½

D.D. rates: High \$582½ Low 581.

Highest and lowest rates for the month of September: T.T. \$584½—583, and Notes 582½—576½.

Trading totals: T.T. US\$1,360,000, Notes cash US\$ 480,000, forward US\$ 1,420,000, D.D. US\$350,000. The market remained quiet but rates improved on lower cross rates in New York and also better demand by gold and general importers and European merchants who bought for switch exchange purposes. Trend of the market is expected to be quiet but the difference between T.T. and Notes should be narrower, for the cash stock was decreasing. In the T.T. sector, usual offers from Korea and Japan continued and were met with good demand by merchants. In the Notes market, agents of China turned to demand instead of their usual offers, thus separation between T.T. rates narrowed and change over interest reduced to 1.72 per US\$1,000 in favour of sellers. Positions taken by speculators averaged US\$2 million per day. In the D.D. sector, the market turned quiet.

Yen and Piastre: Cash quotations were \$1,425—1,420 per Yen 100,000 and HK\$765—690 per Piastre 10,000. Piastre took a sharp decline but only small business transacted. There was again nothing done in forwards and interest fixed at 8 cents per Yen 100,000, in favour of buyers, and \$210 per Piastre 10,000 in favour of sellers.

Free market yen is quoted about 10% below official rate. As prices in Japan have come down and cost of living there is relatively low, and is expected to further decline, a free market discount of 10% is unreasonable. General economy of Japan is further on the up, stability of yen is assured, thus improvement of free market rate to about HK\$15 to 15½ ought to be expected within a short time. Illicit trading with Japan is main source of 'black market' yen supply while travellers to Japan are important buying factor. Outward transfers from Japan while slow are approved by exchange control in practically all cases. In recent months Japan's exchange holdings have in-

creased and now excess earnings of exchange are a regular feature of Japan's prosperous foreign trade.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.95—1.9175, Japan 0.0144—0.01425, Malaya 1.88, Indochina 0.0792—0.0763, Thailand 0.2578—0.2518. Sales: Pesos 310,000, Yen 95 million, Malayan \$280,000, Piastre 8 million, Baht 4 million. The market was quiet and business reduced.

Chinese Exchange: Official rates of the People's Bank Yuan continued at 0.427 per HK\$ and 6.839 per £ Sterling. Cash quotation was HK\$1.85 per Yuan. Official rates of Taiwan Bank notes also unchanged at 15.65—15.55 per US\$ and 2.74—2.72 per HK\$. Cash notes quoted \$166—162 per thousand and remittances \$155—152; little business concluded.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.46—15.42, Australia 12.05, New Zealand 13.65—13.62, Egypt 14.90—14.80, South Africa 15.35—15.28, India 1.175—1.17, Pakistan 1.01—0.98, Ceylon 0.96, Burma 0.72, Malaya 1.835—1.832, Canada 5.855—5.835, Philippines 1.975—1.97, Macao 1.02—1.015, Switzerland 1.35, France 0.0155—0.0152, Indonesia 0.13—0.125, Thailand 0.242—0.237.

Gold Market

Date	High .945	Low .945	Macao .99
Sept. 26	\$252%	252	Low 262
27	252%	251½	
28	252%	251½	
29	252%	251½	
30		H O L I D A Y	
Oct. 1	252%	252%	262% High

The opening and closing prices were 252 and 252%, and the highest and lowest were \$252% and 251%. The highest and lowest prices for the month of September were \$253½ and 251%. The market was quiet, and prices were of little change, for lower contracted import price was set off by slightly improved US\$ exchange rates and continued good demand for export. Trend of market is dull and quiet. Interest for change over in the fictitious forward favoured sellers and amounted to 21 cents per 10 tael of .945 fine; local stock increased slightly. Trading totalled 20,100 taels or averaged 4,020 taels per working day. Positions figured at a daily average of 24,200 taels. Cash sales amounted to 25,830 taels, of which 3,330 taels listed officially and 22,500 taels arranged privately. Imports mainly from Macao and totalled 21,000 taels. One shipment of 27,000 fine ounces arrived Macao. Exports figured at 18,000 taels, (6,500 taels to Indonesia, 6,000 to Singapore; 3,500 to Bangkok, 2,000

to Rangoon). Differences paid for local and Macao .99 fine were \$12.20—12.10 and 11.90 respectively per tael of .945 fine. Cross rates worked in the Exchange were US\$37.75—37.73, and contracted import price reduced from 37.75 to 37.71 C.I.F. Macao; a total of 17,600 fine ounces were concluded.

Silver Market: With continuous enquiries from exporters and improved prices in New York and London, local quotations were all higher but not much business transacted: Bar silver quoted \$6.15—6.05 per tael with 2,500 taels traded, \$ coins \$3.99—3.95 per coin with 3,000 coins traded, and 20-cent coins \$3.04—3.02 per 5 coins with 2,500 coins traded.

Money Market: Since increased interest rates from 6% to 8% per annum for general credits were fixed by all banks in the Colony, there was still not much effect to the local money market, which remained easy. Chinese native banks and financiers charged their debtors at 10% p.a. for short term loans and 12—14% for longer terms. Real estate merchants were rather in need of credits but manufacturers and general merchants had few requirements due to quiet business condition.

HONGKONG SHARE MARKET

Monday: There was a fair volume of business transacted on the market with Cements, Lands and Telephones providing the bulk of the turnover amounting to approximately \$1.5 million. Rates for these issues were well maintained but a few stocks were fractionally lower through lack of interest. Rubbers were quite active in the forenoon but closed below their best levels for the day.

Tuesday: The market was affected by the sharp set-back experienced on Wall Street on Monday as a result of the disturbing news concerning President Eisenhower. A cautious attitude was adopted in early trading but as the day progressed selling pressure developed causing the majority of stocks to suffer moderate losses. Shares in the Land section, however, remained fairly steady. In the rubber section, Amalgamated and Rubber Trust were active but lost ground in sympathy with the lower advances for raw rubber. The turnover for the day amounted to approximately \$1,560,000.

Wednesday: Following the trend of New York, the market here recovered well with the previous day's losses almost completely wiped out. There was a fair amount of business transacted during the half day session but there was no special feature. Rub-

bers were also a shade firmer. The turnover for the day amounted to approximately \$1,050,000. **Thursday:** The market ruled steady on the Eve of the Chinese Mid-Autumn Festival holiday and where changed prices moved fractionally higher in a day of average trading. The undertone was generally steadier following the improved sentiment evidenced during the past two days but there was no outstanding feature. The turnover for the day amounted to approximately \$1,020,000. The Secretaries for Yangtsze Finance announced that at the close of business on September 28, 1955, the shares had a statistical value of \$9.58. **Friday:** Mid-Autumn Festival holiday.

DIVIDEND ANNOUNCEMENTS

The Shanghai Loan & Investment Co., Ltd. announced a dividend of 20 cents per share, free of tax, in respect of the year ended March 31, 1955. The Yangtsze Finance Co., Ltd. announced a dividend of 70 cents per share, free of tax, in respect of the year ended March 31, 1955. The Union Insurance Society of Canton, Ltd., announced an interim dividend of £1 per share on account of the year 1955, payable on November 21.

SINGAPORE SHARE MARKET

(September 17-23)

Further strike threats caused some profit-taking and, early on, the easing of what had been a firm Industrial market. However, by the end of the period the statement by the Chief Minister in the Federation that at present his Government is not considering increased taxation relieved somewhat the fears of higher joint Singapore-Malayan income tax. And when in the Singapore Assembly the new Security Bill received the support of all but three members, market sentiment was distinctly improved. There was a small reduction in the overall volume of business written. Again, Tins were irregular whilst Rubbers had some bright spots and generally an upward tendency.

The Malayan Brewery announcement of a 3% increase over last year's total was not quite up to market expectations and the shares at \$3.52½ were 2½ cents below best. Fraser & Neave Ords. moved between \$1.80 and \$1.77½ cum the final payment of 14% or, 1% more than last year. Gammons came back from \$2.70 to \$2.62½ but at the latter price large parcels were absorbed. Considerable turnover continued in Wearnes at \$2.92½ and in Straits Traders from \$25 to \$24.80. Metal Box came back to \$1.50 before attracting buyers, while publication of the Robinson & Co. balance sheet created increased interest and, with

HONGKONG AND FAR EASTERN TRADE REPORTS

The local commodity market just before the Mid-Autumn Festival last week was active with steady demand from Korea and Southeast Asia. Japan sent here more industrial products and sundries; while China and Taiwan supplied the market with popular staples. Trading in metals, paper and industrial chemicals was selective and in many cases limited by short stocks and low buying offers. China produce retained the regular demand from Europe, Japan and Southeast Asia; pharmaceuticals attracted more inquiries than orders; cotton yarns remained steady despite sluggish trading; while cotton piece goods registered trading only in Japanese white shirtings.

TRADE DEVELOPMENTS

Trade Restrictions: Canadian authorities required that peas and beans shipped to Canada must be packed in new bags and accompanied with a sworn declaration assuring that these staples will not be used for feeding livestocks.

Freight Rates: Effective from October 1, 1955, freight rates for some cargoes from Hongkong to Australia and New Zealand will be increased by 10%.

business done at \$2.41½ cum all, some increase in price. At \$1.72½ Singapore Cold Storage attracted little attention and Hammer & Co. had isolated transactions at \$2.52½ ex dividend. London accepted Singapore Traction Ords. from 28/9 to 29/6d.

The Tin section had a meagre turnover. Kuchai which came back from \$2.15, had good buying enquiry at \$2.05 and \$2.07½. Talam Mines continued in demand at \$2.05 but Petaling had a quiet week with few exchanges at \$4.57½ and \$4.60.

Of locally registered Sterling Tins, Lower Perak fell to 14/9 but had buyers over at the price, and Larut Tin had takers at 9/1½. Idris Hydraulic and Pahang Consolidated had local exchanges at 4/10½ and 12/4½ respectively.

In the Rubber section, Temerloh, on the confirmation that tin prospecting had begun on the Estate, were an active market with business up to \$1.20. Nyalas, which last week had exchanges at 83 cents, closed buyers at \$1.05 on prospects of a dividend payment, the first since 1951. Tapah improved to \$1.60 buyers and Ayer Hitam to \$1.10. Langkon (North Borneo) Rubber were taken from 2/4½ to 2/8½. London accepted Craigielea at 9d. and London Asiatic at 2/9½.

Although some difficulty was met in placing local loans, a number of large parcels changed hands. United Kingdom gilt-edge continued to attract buyers.

China Trade: Large shipments of cheap Burmese rice were imported to China; while at the same time, high-grade Chinese rice reached here in substantial quantities.

Japan Trade: Tokyo announced that Japan would export 15,000 tons of galvanized iron sheet to China in exchange for £1.08 million worth of Kailan coal (400,000 tons). Tokyo and Djakarta agreed to develop a triangular trade involving the US. American raw cotton will be shipped to Japan; Tokyo will export textiles to Indonesia; and Djakarta will send rubber to US. Authorities in Tokyo also allocated US\$10 million for imports from the sterling area under the automatic approval system during the next 6 months (October 1955—March 1956).

Korea Trade: Korea bought large quantities of Hongkong manufactured wheat flour, woolen knitting yarn and fibre yarns in addition to various exports in the local market. Korea offered to import US\$9 million worth of fertilizers from Japan. This would mean the lifting of the blanket ban against trade with Japan. Meanwhile, Seoul invited tenders for the supply of steel, cement, paint, roofing materials and pipe.

Indonesia Trade: Djakarta announced new foreign exchange rates for imports: HK\$1—1.995 rupiahs; US\$1—11.475 rupiahs; £1—33.12 rupiahs; Straits dollar—3.755 rupiahs; showing a slight increase in favour of rupiahs as compared with previous rates. Despite the granting of new import licences for essential and semi-essential items in Djakarta, shipments from here to Indonesia remained slow.

Thailand Trade: The drop of commodity prices in Bangkok discouraged shipments from here to Thailand early in the week. However, when Bangkok increased import duties on many items and prices started to recover, traders in Hongkong dispatched outstanding shipments while importers in Thailand sent here more orders. As a result of Thailand's cut in export tariff, increased quantities of Thai rice, maize, beans, starch, live pigs and cattle reached here.

COMMODITIES

China Produce: China marked up export floor price for woodoil to \$170.50 per picul ex-railway station Kowloon in bulk. Prices in the local market were further stimulated by orders from Japan and Southeast Asia to \$174 per picul in drums (spot); and £192 per long ton c & f Japan (forward cargo). Citronella oil first eased under selling pressure; prices firmed up when low quotations attracted speculative buying. Groundnut oil advanced on the strength of increased Indian indents and low stock; menthol crystal improved on orders from Europe and Southeast Asia; while silk waste registered gains

as a result of short stock and steady demand from Japan. Raw silk eased under the weak international market; low prices attracted orders from Europe and Japan. *Cassia lignea* registered steady exports to India and Middle East but heavy stock prevented improvements. During the week Japan was also interested in sesame and fluorspar; Europe in aniseed oil; India in garlic; Southeast Asia in tea, talcum, gypsum, dried chilli and teasted cake.

Feathers declined as a result of weak export demand; while limestone and wheat bran enjoyed steady local consumption.

Metals: Structural steels, particularly HK products, remained popular with local consumers and Southeast Asia. Galvanized iron sheets reported indent increases; but prices in the local market failed to improve due to selling pressure developed by China's direct purchase of this item from Japan in large quantities. Blackplate gained on increased cost; blackplate waste waste and tin advanced on low stock; iron scraps remained steady on demand from Japan; while selling pressure depressed zinc sheets.

Paper: Demand from Korea and Vietnam remained strong but low buying offers prevented gains in spite of the stock shortage. Trading was limited to selective items: Korea—woodfree printing, tissue, M.G. ribbed kraft, transparent cellulose paper, aluminum foil and strawboard; Vietnam—woodfree printing, newspaper in reams, M.G. pure sulphite, transparent cellulose paper and cigarette paper; local industries—art printing, newsprint in reams, M.G. cap, M.G. ribbed kraft and transparent cellulose paper. Dealers booked European woodfree printing, and transparent cellulose paper to meet the unremitting demand.

Industrial Chemicals: Trading remained selective during the week. Demand from Korea stimulated tanning extract, titanium dioxide, sodium hydro-sulphite and sodium nitrate which were low in stock. Marked-up indents improved caustic soda and acetic acid. Korea was also interested in linseed oil, barium sulphate and Hongkong manufactured sulphuric acid.

Pharmaceuticals: The market was active with Korea's purchase of sulphonamides; Taiwan's orders for penicillin preparations, sulphonamides, extract ergot and amidopyrin; and Southeast Asia's demand for saccharine crystal, phenacetin and aspirin powders. Quantities of these orders were small and prices steady.

Cotton Yarns: Hongkong yarns remained steady in spite of limited local trade. Indian yarns were stimulated by enquiries from Thailand; while Japanese products were sluggish.

Cotton Piece Goods: With the exception of Japanese white shirtings which were firm on orders from Vietnam, Korea and local factories; prices of other goods were barely steady in the sluggish market.

Rice: Heavy supply and weak demand depressed prices of Chinese and Thai rice. Hongkong New Territory rice registered gains as a result of Canada's purchase of 800 piculs.

Wheat Flour: Trading in imported wheat flour remained slow; but prices were kept firm by cost factors. Hongkong manufactured wheat flour enjoyed strong demand from Korea. For the month of September, orders amounting

to US\$600,000 were received from Seoul for HK products.

Sugar: Japanese sugar improved on orders from Vietnam; Taikoo products enjoyed steady local demand; while Taiwan sugar remained firm on enquiries from Korea. Dealers also ordered a trial shipment of Indonesia sugar at very high cost.

Cement: Japanese cement was very firm as dealers were unable to book more supplies during the week.

Hongkong Manufactured Goods: Local torch-light batteries will be increased to \$2.25 per dozen fob Hongkong as from October 1, 1955 on account of the increased cost of raw materials. Meanwhile, enquiries for local manufactures were received from Africa for leather goods, plastic products, children's garments, enamelwares, umbrellas, torchlight bulbs, hurricane lanterns, rubber shoes, knitted wears, cigarette lighters, toys, tooth brushes, slippers, wrist watch bands and towels; from Egypt for torchlight cases; from Madrid for various Hongkong products; from California for nylon and cotton gloves; from Colombo for Chinese silk garments, leather shoes, rubber shoes and rain coats; and from Mauritius for textiles.